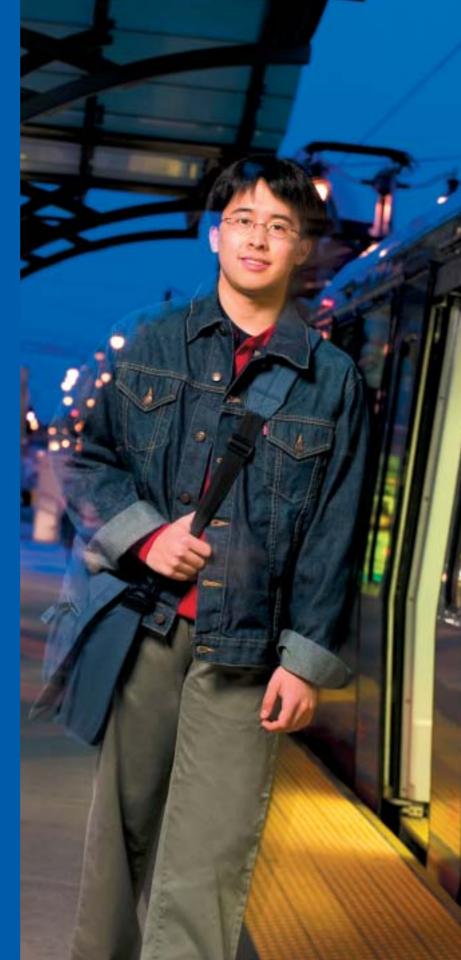


MEET MTC CUSTOMER CHRIS RAMIREZ

As is typical of most teenagers, 17-year-old Chris Ramirez is always on the move; what's perhaps less typical is that he's an extreme public transit fan, eschewing the family cars for the most part. Ramirez relies heavily on MTC's 511 phone and Webbased Traveler Information System to figure out how to get where he wants to go — fast. "I always have somewhere to go," he said. "I'm saving time every time I use 511."

The Berkeley resident rides public transit daily to get to class at San Francisco's Lick-Wilmerding High School, dialing the free, voice-activated 511 hotline to determine the most efficient route; if bridge traffic is bad, he'll opt for BART over the transbay bus. "If I know what time the bus or train is coming and how long the ride will take, I can plan accordingly," he said. "511 is efficient and has all the information in one place so I don't have to waste time calling a bunch of separate numbers."

In his off hours, Ramirez relies on the 511 online TakeTransitSM
Trip Planner to map public transit excursions to places like the Tech Museum of Innovation in San Jose or SBC Park to watch Giants baseball games in San Francisco, or simply to a friend's house to hang out. And, he's one of the 4,500 pioneers who have been testing MTC's TransLink® smart card, to the extent possible using the card to pay the fares as he hops between transit systems.



Real people use our products... every day

In response to the evolving and growing needs of the traveling public in the nine-county San Francisco Bay Area, the **Metropolitan Transportation Commission** (MTC) has been reengineering itself, transitioning from a traditional metropolitan planning organization a federal designation — to a more broadly focused, multiservice agency with a loyal and expanding customer base. The numbers tell the story. In 2003, nearly 70,000 motorists in distress pulled over to one of the region's 3,500 bright yellow call boxes and summoned help. Another 70,000 motorists were rescued by the specially trained drivers piloting the region's fleet of 74 Freeway Service Patrol trucks. These same angels on wheels cleared hazardous debris and disabled vehicles from Bay Area freeways about 58,000 times, smoothing the flow of traffic. The Regional Rideshare Program generated more than 18,500 matchlists in 2003 for commuters looking for carpool- and vanpool-mates or bicycle buddies. And the 400,000-plus Bay Area motorists who have signed up for FasTrak electronic toll collection enjoyed hassle-free passage across the region's many bridges nearly 40 million times last year. The phone component of the 511 Traveler Information System proved its value to travelers of all stripes — including transit riders, motorists, carpoolers and bicyclists — fielding 1.8 million calls with the latest in voice-activated technology in 2003, the first year of operation. Internet-savvy travelers visited the 511 Transit Web Site nearly 8 million times in search of route and schedule information, and generated nearly 2.5 million personalized transit itineraries via the interactive TakeTransit[™] Trip Planner. The 4,500 urban pioneers testing the concept of a universal transit ticket used their prototype TransLink® smart cards successfully more than 245,000 times in 2003, paving the way for expanding the high-tech fare-payment system to all of the region's bus, train, streetcar and ferry lines in the near future. In the following pages, you'll meet a few of our customers. They range in age from 9 to 66, represent the rainbow of the Bay Area's ethnic richness, and span all nine counties in their daily travels to work or school, to meet with clients, and to sample the Bay Area's recreational and cultural bounty. What the members of this diverse and intrepid group share in common is a remarkable enthusiasm for the products and services offered by MTC and its offshoots — the Bay Area Toll Authority and the Service Authority for Freeways and Expressways.

Letter From the Executive Director

It was exhilarating to be among the throng of people who walked across the new Alfred Zampa Memorial Bridge for the first time on a blustery Saturday last November.

Strolling high above the Carquinez Strait, I was struck by the grand scale of the span, and realized with keen appreciation what a large debt we owe to the men and women whose vision, skill and physical courage allow us to link with concrete and steel the land masses that lie at the edges of our great Bay.

STIRRING THE IMAGINATION

There is something inspiring and inescapably symbolic about a bridge. Bridges connect things, and these connections often extend beyond what is visible. Besides upgrading an important link between Solano and Contra Costa counties, our graceful new suspension bridge also reconnects us to a proud bridge-building past, when far-sighted, publicspirited Bay Area leaders erected landmark spans like the Golden Gate Bridge and the San Francisco-Oakland Bay Bridge. These remarkable engineering achievements not only helped the region to flourish economically, they did something more: They gave to the people of the Bay Area a sense that great things could be accomplished.

Years later, as we have become accustomed to seemingly intractable traffic congestion and mounting demands on our over-burdened transit fleet, our region's faith in itself has been shaken somewhat. And at this moment we face particular challenges — economic sluggishness, state budget deficits, project funding shortfalls — that can lend an embattled air to even our best and most hopeful efforts. But those of us lucky enough to be on the Zampa Bridge

on its first day shared an experience that stirred our imaginations and lifted our spirits. We felt a surge of pride at what we, as a region, had built — and with it came the bracing awareness that if this great bridge could be built, so could other bridges, both physical and figurative.

BUILDING MANY BRIDGES

As the Bay Area's transportation planning, financing and coordinating agency, the Metropolitan Transportation Commission believes in bridges; building them is what we are all about. In our role as the Bay Area Toll Authority, we help to finance the construction of actual bridges like the recently widened San Mateo-Hayward trestle, the justcompleted Zampa, and the second span for the Benicia-Martinez Bridge (now in progress). MTC also builds the invisible bridges that serve to hold our diverse transportation network together and help it to function more efficiently.

One by one, we are building the institutional bridges needed to better integrate transportation and land use in the region, having in the last year joined with the Association of Bay Area Governments to study how our two agencies might work more effectively toward this end. The result: the creation of a permanent Joint Policy Committee reporting to the boards of both agencies. The committee will work in 2004 and beyond to implement the Regional Smart Growth Vision forged and endorsed by the leading public and private stakeholders in the Bay Area.

We are building bridges by the dozen to Bay Area transit operators, congestion management agencies, air quality regulators, airport authorities and other regional bodies who, through participation in the Bay Area Partnership, meet and consult with MTC on all transportation issues.

We are building bridges by the hundreds to members of the Bay Area public who joined with us last year in multiple ways — in meetings and focus groups, via letters and e-mails, and as visitors to our Web site, respondents to public opinion surveys and participants in a 500-person regional summit — to develop a new, long-range transportation plan for the region. The *Transportation 2030 Plan* moves into its second phase of outreach in 2004, with even more opportunities for involvement.

EMPOWERING OUR CUSTOMERS

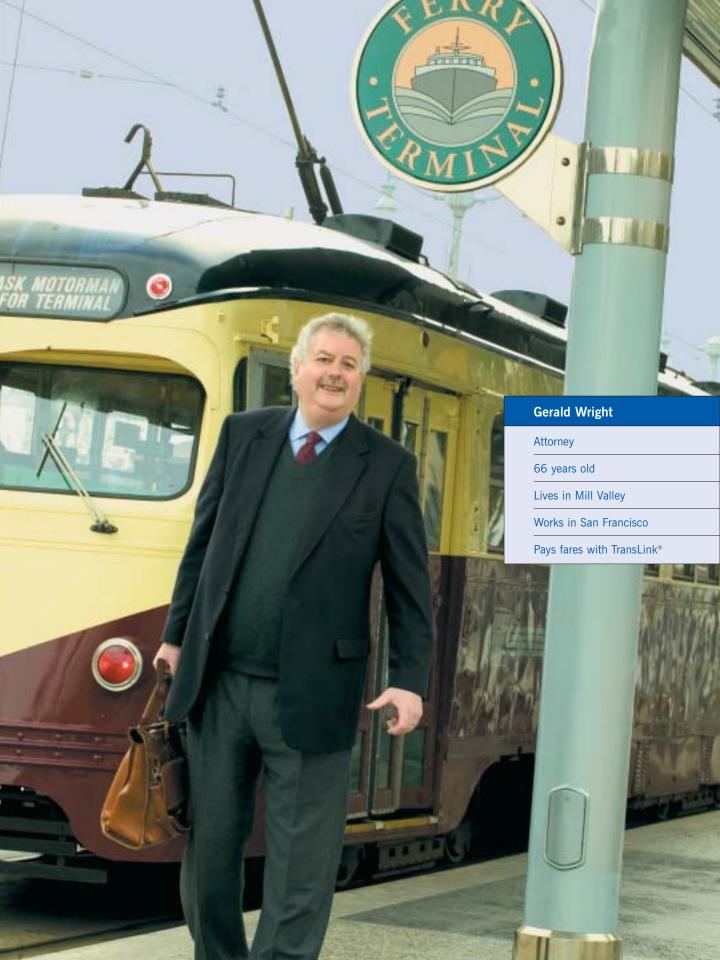
Perhaps most excitingly, we are building bridges by the thousands to our customers — the users of innovative new services such as the 511 telephone and Web-based Traveler Information System, the TransLink® universal transit-fare smart card, the FasTrak™ electronic toll collection service, and others you will see featured in these pages. With these services our customers can make the connections they need to get where they want to go — in effect, they can build their own bridges around the Bay Area.

The everyday bridge-building that is at the core of MTC's mission is not always as thrilling as a walk across the Zampa Bridge, but it provides tangible benefits for millions of Bay Area travelers. I invite you to read about a few of them in this annual report.

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Steve Heminger





Gerald Wright swears by TransLink® Smart Card

Gerald Wright, a San Francisco-based attorney for the Federal Trade Commission who has commuted to work from Marin County for the past 30 years, tells the truth and nothing but the truth when he testifies, "I had been waiting for something like this for years, and I am very pleased with TransLink®." Most mornings, Wright drives to the Larkspur ferry terminal, where there's free parking. But when his wife has time to drop him off, he heads for the Sausalito terminal instead. "There's a certain small-town ambiance on the Sausalito ferry I prefer," he explained. Wright simply adds value to the fare card monthly; TransLink® is smart enough to keep track of the differing fare structures for the two ferry lines as well as senior citizen discounts. "You don't have to deal with cash or tickets. You flash your wallet at the reader device, and you're on your way," he said. Wright also uses the card within San Francisco — riding San Francisco Muni and BART to grab lunch, go to the bank or run other errands — and looks forward to the day when he can TransLink® his way to activities all around the Bay. "We have two cars, but we prefer public transit whenever it's convenient," he said.



Left: BART is one of six agencies moving toward systemwide rollout after participating in the smart card pilot program. **Center:** Over the next four years, over 3,000 TransLink® card interface devices will be installed on bus, rail and ferry systems throughout the region. **Right:** Nearly 70 percent of the region's smart card transactions are associated with Golden Gate Ferries, the first system to be fully equipped with TransLink®.

TRANSLINK® TRANSIT SMART CARD READY FOR PRIME TIME

After proving its mettle on everything from buses and ferries to BART and light rail, the TransLink® smart fare card is ready for prime time.

Looking much like a credit card,
TransLink® packs a powerful microchip that can keep track of multiple tickets and passes as well as cash value, allowing riders to move smoothly between transit modes and systems without fumbling for change or tickets.

In the summer and fall of 2003, the six transit agencies that have been working with MTC to test the new fare collection system since
February 2002 — AC Transit, BART,
Caltrain, Golden Gate Transit, San
Francisco Muni and Santa Clara
County's Valley Transportation
Authority — agreed to sign on for the
next phase, which involves installing TransLink® reader equipment
throughout their systems starting
in the summer of 2004. The region's
remaining transit operators will
come on board soon thereafter.

The smart card involves complex technology engineered by ERG Ltd. of Australia together with Motorola, Inc. under contract to MTC. A facility in the East Bay city of Concord processes each day's transactions, feeding payment and ridership data back to the transit operators.

As Phase 2 picks up steam, Trans-Link® cards will be widely available through retailers, transit agencies, employers and the 511 Traveler Information Web Portal. Riders will be able to add value in stations and at retail outlets, or they can activate the autoload option that deducts payment from their bank account or charges their credit card.

Victoria Hudson grateful for Freeway Service Patrol

On a Monday morning last November, corporate communications consultant Victoria Hudson was on her way to her current long-term assignment at Clorox Co. in Oakland when the San Ramon resident's commute-hour drive turned into a potential nightmare. As she negotiated a curve westbound on Interstate 580, Hudson felt her car slowing to a stop in the fast lane. For only the second time in her life, the 45-year-old writer had run out of gas. A call to AAA elicited the bad news that it would be at least 20 to 30 minutes before someone could be sent to help her. Hudson was therefore astonished when, not five minutes later, a gleaming white tow truck pulled up behind her, and a Freeway Service Patrol driver hopped out. Explaining to Hudson that this was a free service, the driver provided her with a gallon of gas. When her car still wouldn't start, her rescuer jump-started the battery, allowing Hudson to continue on to work — and even get there on time! Hudson couldn't say enough good things about the service: "Thank you! Bravo! Kudos! How gratifying to see a government service work flawlessly — with scant recognition. Congratulations on a job well done."



Left: A full 95 percent of motorists assisted by the specially trained Freeway Service Patrol (FSP) drivers rate the service as "excellent." **Center:** Savings from streamlining the call box network will go toward enhancing other motorist-aid programs. **Right:** The FSP will change a flat tire, jump-start a battery, refill a radiator, provide a gallon of fuel — or tow the vehicle to a safe location.

TOW TRUCKS AND CALL BOXES KEEP FREEWAYS CLEAR AND MOTORISTS SAFE

Quickly clearing accidents, stalls and other incidents from roadways can help keep Bay Area traffic moving. Doing their part in this effort for over a decade are two motorist-aid programs jointly managed by MTC's Service Authority for Freeways and Expressways, Caltrans and the California Highway Patrol (CHP).

The Freeway Service Patrol (FSP) cruises the most congested freeways in the region primarily during commute hours, helping motorists with car trouble (free of charge), responding to accidents and remov-

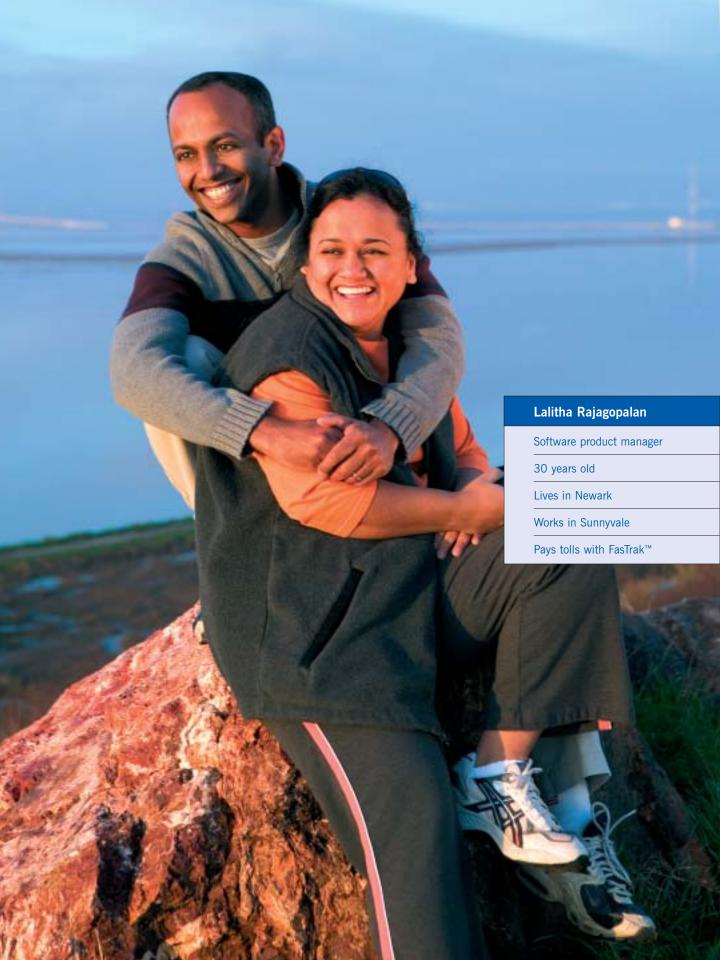
ing debris from the roadway.

The FSP's roving tow trucks currently make nearly 11,000 assists each month, and the program hit the millionth assist mark in March 2003. In July 2004, the FSP will add midday hours to its existing weekday peak-period service on two roadway segments where traffic jams are becoming an all-day phenomenon, and add nine miles of coverage to another busy route, bringing total mileage to more than 472 regionwide.

The Bay Area's 3,500 roadside call boxes are on duty 24 hours a day,

connecting callers to dispatchers who can send tow trucks, the CHP or other services as needed. The five-year strategic and financial plan adopted by MTC in 2002 will streamline the call box network and apply the resultant savings toward improving a range of motorist-aid programs. The plan calls for increasing the spacing between call boxes over the next two years by removing some 1,000 of the devices — a move prompted by the rise in personal cell phone use and the parallel decline in the number of call box calls.





Lalitha Rajagopalan saves time with **FasTrak**™

One way Lalitha Rajagopalan counteracts the stress of commuting across the Dumbarton Bridge to her job as a product manager at the Ariba, Inc. software company in Sunnyvale is by walking in the wildlife refuge that abuts her Newark home. Another way is by paying her tolls electronically with FasTrak™. Whenever possible Lalitha carpools with her husband — Shankar Kaniyur, an Intel engineer — and avoids tolls altogether. But about three days a week, early and late work meetings force them to drive solo in separate cars. Fortunately, in 2001 they discovered the joys of FasTrak™, affixing "his and hers" transponders to their respective windshields. "The special FasTrak™ lane is great because I can avoid people digging for change in their glove boxes, purses or wallets," Rajagopalan said. Conveniently, the system also can link multiple transponders to a single credit card. "Everyone wants to minimize bills and paperwork," she said, pointing out that the device also eases the couple's travel on the Golden Gate Bridge when dining or shopping in Marin, on the Carquinez Bridge when going up to the Napa Valley, and on the San Mateo-Hayward Bridge when heading to the airport.



Left: Lalitha Rajagopalan and her husband pay tolls the easy way — with "his and hers" FasTrak™ transponders affixed to their respective windshields. **Center:** Dedicated FasTrak™ lanes can handle almost three times as many vehicles per hour as a lane in which tolls are collected manually. **Right:** Nearly 36 percent of the cars crossing the region's bridges during commute hours pay tolls electronically.

MORE AND MORE COMMUTERS PAY THEIR TOLLS THE FASTRAK™ WAY — ELECTRONICALLY

The FasTrak™ electronic toll collection (ETC) system has been operational on all seven of the stateowned toll bridges in the Bay Area as well as the Golden Gate Bridge since December 2000, with at least one ETC-dedicated toll booth on each bridge to ease traffic congestion and speed travel.

Drivers who equip their vehicles with a FasTrak™ transponder on the windshield or dashboard can glide through the toll plaza without stopping to pay cash. As vehicles pass, an overhead antenna

reads the transponder and automatically deducts the toll from the driver's prepaid account. And, motorists can authorize FasTrak $^{\text{IM}}$ to charge a credit card or debit a bank account to replenish the prepaid account when their balance gets low.

Today the ETC system has expanded to the point where every toll lane on every bridge is equipped with FasTrak™ readers, and close to 36 percent of commute-hour bridge users now pay their tolls electronically.

MTC's Bay Area Toll Authority (BATA) is working with Caltrans and the Golden Gate Bridge, Highway and Transportation District to consolidate the agencies' separate FasTrak™ operations into a single customer service center managed by BATA. Under a \$33 million contract recently awarded by BATA, ACS State and Local Solutions will operate the new facility over the next five years. This move will help to streamline FasTrak™ administration, reduce costs and upgrade customer convenience.

Cecil Lee relies on 511 Traffic Reports

For Cecil Lee, checking 511 traffic reports has become as much a part of his daily regimen as brushing his teeth — in other words, a twice-daily ritual. He calls 511 once in the morning as he's leaving his Newark home, and again in the afternoon as he departs from his office at Legato Software in Mountain View, where he works in information technology. "I've been using 511 for more than a year," said Lee, who has programmed the number into his cell phone. "The voice-activated system is very easy to use and the information is accurate." Armed with real-time information on conditions on the Dumbarton Bridge and Highway 101, Lee quickly determines whether to take the San Mateo-Hayward Bridge instead, or otherwise alter his route. If there's a particularly bad accident or other tie-up on the bridge, he sometimes opts to work remotely from home for a couple of hours, or catches up on paperwork at the office until the traffic subsides. "Wondering, that's the worst thing," Lee said. "When I can't avoid congestion, at least 511 lets me know why the traffic is slow. Then I can call in to work or whomever I'm meeting to let them know how much longer I will be."



Left: Overhead antennas will track traffic speeds as cars equipped with FasTrak™ transponders pass by anonymously. **Center:** The Oakland-based Transportation Management Center serves as mission control for the cameras and sensors monitoring local freeways 24/7. **Right:** Signs promoting 511 are popping up along the region's freeways.

511 TRAFFIC SERVICE TAKES THE GUESSWORK OUT OF COMMUTING

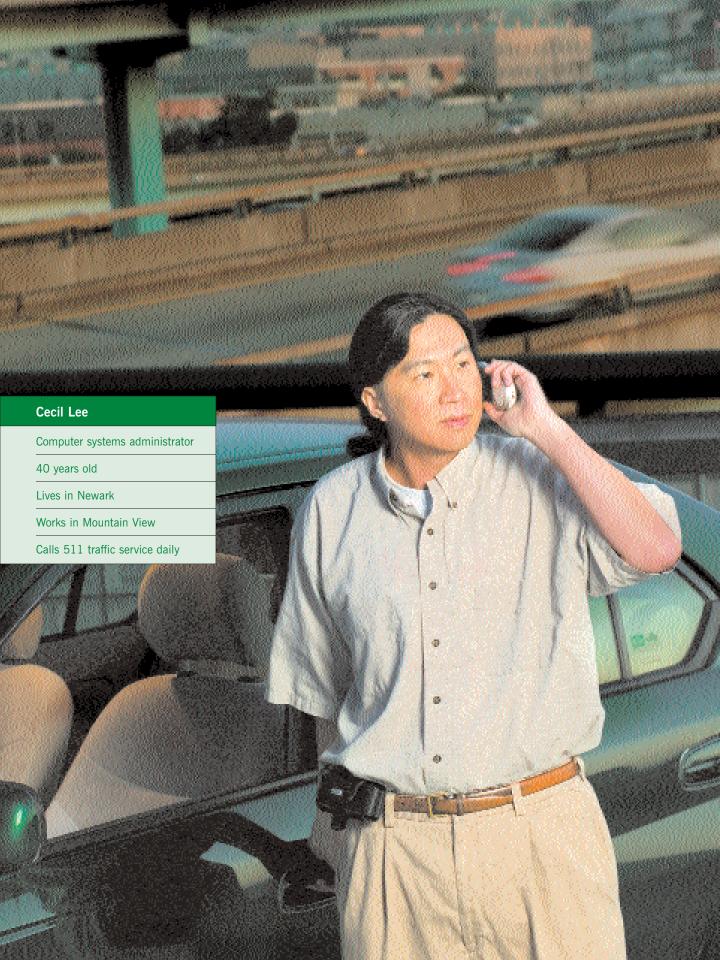
"Know before you go" has become the mantra for savvy road warriors who dial 511 before venturing onto Bay Area highways. MTC activated the 511 number in December 2002, making the region the first in the state to implement the free, phone-based traveler information service and one of a growing network of metropolitan areas around the nation that are adding 511 to the list of information and emergency lines such as 411 and 911.

Travelers can access real-time information on traffic conditions

on all Bay Area freeways, expressways and bridges 24/7 by telephone from their home or office, or while en route via cell phone. The 511 traffic service is driven by the latest in voice-activated technology, allowing callers to bypass menus and zero in on the specific routes they intend to travel.

Thanks to an aggressive outdoor and radio marketing campaign, traffic information requests now average around 30,000 calls per week. By mid-September 2003, the 511 phone service hit a symbolic milestone when it logged its millionth call — just nine months after the system launch.

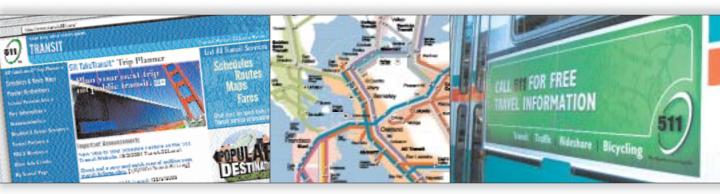
The 511 traffic service will reach another service milestone in the spring of 2004 when MTC introduces Driving Times. Available by phone as well as on the Web, the new feature will calculate how long it will take drivers to reach their destinations. The system harnesses data on freeway speeds collected as vehicles equipped with FasTrak™ electronic toll tags pass by overhead antennas.





Michael D'Augelli maps trips with 511 Transit Service

As an instructor for the San Lorenzo Unified School District's Dayspring Independent Home Study Program, Michael D'Augelli teaches through example. Whenever possible, the Hayward resident does his part to protect the environment by riding an AC Transit bus to his classroom/office at a district school. D'Augelli describes himself as a "regular but random transit rider" who often tours the region by bus or rail, partly for his own enjoyment, and partly so he can suggest fun and educational trips to the youths and families he works with. "I used to be one of those people who carried schedules for all the operators," he confessed. Now, instead of updating his stash of schedules every year or so, D'Augelli regularly logs on to the 511 Transit Web Site, often checking on his connection en route with a call to 511 via his cell phone. He's also a big fan of the Web site's interactive trip planner. "Lots of the families I work with have financial concerns," he said. "So when teens don't have access to a car, or when parents don't have cars to drive their children to program activities, it's very easy for them to just go online — whether at home or in my classroom — and use the TakeTransit Trip Planner as a travel tool."



Left: The interactive TakeTransitsM Trip Planner generated nearly 2.5 million personalized itineraries in 2003. **Center:** Riders can access routes, fares and schedules for more than five dozen transit systems in the Bay Area and neighboring counties at the 511 Transit Web Site located at www.511.org. **Right:** An ad campaign on buses is spreading the word about 511's suite of traveler services.

511 PROVIDES ONE-STOP SOURCE FOR PUBLIC TRANSIT INFORMATION

The Bay Area arguably boasts one of the most diverse and complex public transit networks in the nation — with multiple agencies offering everything from buses and electric trolleys to commuter rail lines, ferries, modern light-rail, and historic streetcars and cable cars. In this environment, a single access point for route, fare and schedule information is an imperative. MTC's 511 system fills the information gap, providing free access to the public transit operators' call centers via the voice-activated 511 phone line. The

companion 511 Transit Web Site — located at www.511.org — provides 24-hour online access to up-to-date route, fare and schedule information for more than five dozen bus, rail and ferry systems serving Northern California.

The centerpiece of the 511 Transit Web Site is MTC's TakeTransit[™] Trip Planner, which generates personalized itineraries with schedules, fares, time estimates and transfer instructions. The easy-to-use tool also allows riders to pinpoint their starting and ending points via an

interactive map. Recently introduced Web site features include descriptions and maps for popular destinations, and, for transit riders who know exactly which system and route they want to use, the ability to create a stop-to-stop schedule.

Currently incorporating 20 Bay Area transit systems, the 511 TakeTransit[™] Trip Planner will be expanded over the coming months, enabling travelers to get detailed itineraries for transit trips stretching from Gilroy to Santa Rosa and virtually everywhere in between.

Lola Ferguson beats traffic with Rideshare Program

For Lola Ferguson, a little solidarity goes a long way toward easing her 55-mile round-trip commute that begins at 5:15 a.m. each day. Thanks to MTC's Regional Rideshare Program, Ferguson enjoys the company of eight other Solano County residents who share her daily trips to the Social Security Administration (SSA) in Richmond. Ferguson trades off driving with two vanpool mates, taking the wheel an average of only five times a month. The other days, she's free to do homework for her Spanish class, doze or chat with her fellow vanpoolers and co-workers — all women. "It's like a hen party," she joked. Ferguson has alternated between ridesharing and transit during her three-decade tenure with SSA, organizing her current vanpool in September of 2003 when construction in downtown Richmond lengthened the walk to the Amtrak/BART station. The MTC-funded Solano Napa Commuter Information provided a crucial incentive by subsidizing the empty seats until the van was full. Not only is the vanpool more convenient, delivering riders to the office doorstep, it's also faster than the alternatives, especially when the group's early-bird schedule and diamond-lane time-savings are factored in.



Left: Lola Ferguson and her vanpool-mates are doing their part to reduce traffic and protect air quality. **Center:** Visitors to the 511 Rideshare Web Site — powered by a sophisticated geographic information system (GIS) — can generate a list of commute partners via the 511 Ridematch tool. **Right:** The perks of ridesharing include access to free-flowing diamond lanes and free passage at bridge toll plazas.

SHARE THE RIDE AND SPEED THE COMMUTE

Bay Area commuters don't have to "go it alone" in their daily battle against congestion. Instead, solo drivers can join together to form carpools or vanpools and gain access to the region's 300-mile high-occupancy-vehicle (HOV) lane network, where freer-flowing traffic can save time and reduce stress. As a further incentive, splitting costs with fellow passengers can yield financial savings.

Drive-alone folks looking to make a commute connection can dial 511 or visit the 511 Rideshare Site on the Internet. This puts them in contact with the Bay Area's Regional Rideshare Program, operated under contract with MTC by RIDES for Bay Area Commuters, Inc. and Solano Napa Commuter Information. In 2003, these two organizations generated over 18,500 customized "matchlists" detailing rideshare options — carpools, vanpools and even potential bicycling partners — tailored to an individual's unique commute criteria.

Last year, the Regional Rideshare Program helped to automate this process by introducing an instant, online ridematching service. Individuals enter their e-mail addresses and commute data and then generate their own list of potential carpool, vanpool and bicycling partners.

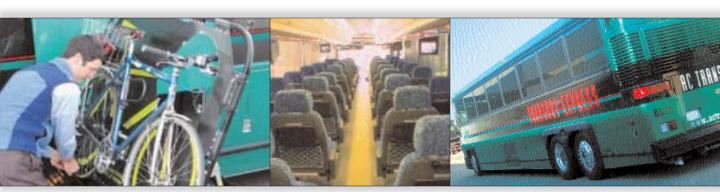
Also new is a "Rideshare Thursdays" marketing campaign designed to increase awareness of alternatives to driving alone. In the first four months of the campaign, over 2,500 people have pledged to carpool, vanpool, bicycle or take transit at least one day a week.





Robert Pryor relaxes on Regional Express Bus

Mail clerk Robert Pryor maintains a hectic pace on the job, picking up and delivering mail four times a day at the 18 separate buildings forming the campus of Applied Biosystems in Foster City. That's why he appreciates commuting several times a week via Regional Express Bus — specifically AC Transit's recently launched Line M, which picks him up at the Hayward BART station, traverses the San Mateo-Hayward Bridge and delivers him to the main building at the complex. The 40-minute bus ride to and from work is "down time," Pryor said. "I can relax, read a book, listen to music. It gets me prepared for my day and helps me unwind on the way home." Sometimes, he relaxes to the point of dozing off. "The seats recline, it's very spacious, and the air conditioning and lighting can be set to your individual liking," he said. "It's so comfortable that you just pass out and fall asleep. The next thing you know, it's your stop." In addition, the express buses facilitate camaraderie as regular riders begin to chat and form friendships with the familiar faces who take the same route to work. "There's a faithful pack of us every morning," Pryor said.



Left: Equipped with bicycle storage bays and racks, the AC Transit buses traversing the San Mateo-Hayward Bridge close gaps in the regional transit and bicycle-path networks. **Center and right:** The fleet of 94 long-haul coaches beginning to ply Bay Area freeways come with a range of amenities designed to enable riders to travel in comfort and put their commute time to good use.

REGIONAL EXPRESS BUS PROGRAM CLOSES TRANSIT GAPS

The growing Regional Express Bus network offers the potential to cost-effectively relieve highway crowding while closing gaps in the region's transit coverage. MTC is working with area transit operators to deploy a fleet of 94 low-emission buses purchased with \$40 million from the state's year 2000 Traffic Congestion Relief Program. Built for comfort, these next-generation coaches are designed to cruise the region's web of high-occupancy-vehicle lanes.

The region passed a milestone in the spring of 2003 with the launch

of AC Transit's Line M across the newly widened San Mateo-Hayward Bridge. In other 2003 highlights, Tri Delta Transit turned Route 300 into an all-day feeder service connecting outlying areas of Eastern Contra Costa County with the Pittsburg/Bay Point BART station; Vallejo Transit deployed the larger coaches on its runs to the Del Norte BART station in the East Bay; the Livermore Amador Valley Transit Authority increased service on the Walnut Creek Express; and Golden Gate Transit beefed up service on the

San Francisco-Santa Rosa route.

Local arterials also play a role in MTC's express bus vision. AC Transit partnered with MTC, other agencies and a number of cities to transform a 14-mile stretch of San Pablo Avenue into a Rapid Bus line with limited stops. Launched in June 2003, the route features low-floor, multipledoor buses to expedite boarding and alighting. MTC provided funding to install smart traffic signal technology that gives buses priority at key intersections. More Rapid Bus routes are planned.

Andrea Baird gets "LIFT" from MTC grant

A grant from the Low Income Flexible Transportation (LIFT) Program to City CarShare is helping single mom Andrea Baird manage both her career and her personal life. The San Francisco resident rides public transit to her downtown job as an account manager at a temporary health care staffing agency, but finds that City CarShare's rent-by-the-hour vehicles — which she uses at a discounted rate — are invaluable when she needs to take her 9-year-old daughter, Sheyanne, to medical appointments. "Thanks to City CarShare, I can stay at work longer before leaving to take Sheyanne to the doctor or dentist. Otherwise, I'd have to leave work twice as early just to accommodate the public transit schedules," said Baird, who two years ago transitioned off welfare. Baird also uses City CarShare's trademark lime green VW Beetles to do her grocery shopping, and to drive Sheyanne to weekly youth group meetings. "It's a great service and very convenient, especially for people like me who can't afford a car," she said. With studies showing a high correlation between access to automobiles and the ability to make the leap from welfare to work, the LIFT Program is a key ingredient in Baird's recipe for success.



Left: The LIFT Program is supporting special shuttles that transport children between school, child care and home. **Center:** With help from a LIFT grant, AC Transit is selling youth passes at the discounted rate of \$15 per month. **Right:** The LIFT Program provided seed money for a new shuttle transporting entry-level workers to job-rich West San Leandro from the nearby BART station.

LIFT PROGRAM TAKES HOLISTIC APPROACH TO TRANSPORTATION NEEDS

Through its aptly named LIFT Program, MTC is giving a boost to low-income residents, and particularly to people navigating the challenging transition from welfare to work.

The pioneering program is proving that the right mix of transportation resources can play an important role in helping newcomers to the employment market land and keep a job.

Since 2000, MTC has allocated \$11 million to the LIFT Program to deliver more than two dozen creative transportation solutions around the region. Matching grants from social service agencies, transit operators and other sources bring the total allocated to date to over \$22 million.

In several locations, the money is subsidizing special shuttles that transport children between school, child care and home — vastly easing daily logistics for working parents. Elsewhere, the funding has allowed public transit agencies to add latenight or weekend service along existing routes, or to launch new lines linking low-income communities with jobs. In markets that don't lend themselves to fixed-route

service, the program is supporting flexible, door-to-door van services.

At the same time, the LIFT Program recognizes that access to an automobile can sometimes better meet individual travel needs. With the aid of a LIFT grant, the nonprofit City CarShare has helped put people in the driver's seat by expanding its fleet of rent-by-the-hour vehicles in low-income neighborhoods in San Francisco. Residents transitioning off welfare can use the cars at a discount to go grocery shopping, get to medical appointments and the like.



2003: Year in Review

MTC's Bay Area Toll Authority authorizes issuance of \$300 million in **toll revenue bonds** to assure continued financing for \$1.6 billion in improvements to Bay Area bridges, including the Richmond-San Rafael Bridge.



Efforts to strengthen integration of transportation and land-use planning in the region take an important step forward when MTC joins forces with nine Bay Area congestion management agencies to launch the **Transportation Planning and Land Use Solutions** initiative — also known as T-PLUS — setting aside nearly \$1.5 million in planning grants to finance its work.



Pile-driving for the new span of the **Benicia-Martinez Bridge** resumes after a nearly three-month hiatus, during which MTC, Caltrans, and a host of state and federal agencies developed a plan for minimizing the impact of construction on fish traveling through the Carquinez Strait.

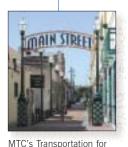
Reinforcing its commitment to making bicycling a viable transportation option for more Bay Area residents, MTC teams up with bicycle coalitions, cities and counties, and RIDES for Bay Area Commuters to host **Bike-to-Work Day 2003**.





Landmark \$1.5 billion
BART extension to San
Francisco International
Airport (SFO) opens for
service with new stations
in South San Francisco,
San Bruno and Millbrae
as well as at SFO. MTC
helped forge regional
consensus for the funding package that financed
the extension.

January February March April May June



Livable Communities
(TLC) program awards
10 planning grants totaling \$500,000 to support
an array of innovative,
community-oriented
transportation projects
in cities around the Bay.

Freeway Service Patrol tow truck program crosses historic milestone with its millionth assist. The FSP's crew of 140 specially trained drivers have been called "guardian angels" by grateful motorists.

Updated *HOV Lane Master Plan* recommends adding 389 new miles of carpool lanes around the region by 2025 and constructing freeway-to-freeway carpool-lane connectors.



MTC adopts fiscal year 2003–04 priorities for spending up to \$1.8 million in federal **Elderly and Persons With Disabilities Program** funds in the Bay Area.

MTC allocates \$13.6 million in federal Congestion Mitigation and Air Quality Improvement Program funds to 11 Bay Area transit agencies to help finance purchase of nearly 1,700 emission-control retrofit devices for diesel buses.

MTC's Transportation 2030 Summit in San Francisco garners input from over 450 attendees. Featuring electronic voting to enable audience members to immediately register their opinions, the workshop kicks off an 18-month, communitywide dialogue on a new plan to guide Bay Area transportation investments over the next 25 years.



MTC unveils a new and improved version of its pavement management software, **StreetSaver™** v.8; the program is an essential tool for public works departments attempting to maximize limited maintenance budgets.



Bay Area Toll Authority signs \$33.5 million, five-year contract for development and operation of a new regional customer service center for the FasTrak™ electronic toll collection program; the new center will integrate existing FasTrak™ services provided by Caltrans and the Golden Gate Bridge District to achieve cost savings, improve customer service and increase FasTrak™ usage.



Transportation 2030 process concludes first phase with the adoption by MTC of six goals for the **long-range plan**, approval of a five-point platform for integrating transportation and land-use, and an investment strategy for the estimated \$108.5 billion in transportation funds expected to flow to the Bay Area from 2005 through 2030.

MTC and the Association of Bay Area Governments cap off year-long discussion by forming a permanent joint policy committee to implement the Regional Smart Growth Vision previously adopted by both agencies.



Bay Area loses a dedicated transit volunteer extraordinaire with the death of 91-year-old Miriam Gholikely in late July; Gholikely sat on all three of MTC's citizen advisory panels.

All six transit agencies that began testing the MTC-sponsored smart card fare-payment program in February 2002 sign on for Phase 2, agreeing to install TransLink® equipment systemwide.



July August September October November December



Four dozen high school students begin work as MTC-sponsored summer interns at various Bay Area transportation agencies, getting a glimpse into potential transportation careers while building the skills and knowledge to pursue them.

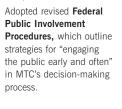
American Public Transportation Association honors the region's **511 Traveler Information System** with the Innovation Award at its annual meeting, calling the service "a model for other systems across the whole country."



New westbound span of the Carquinez Bridge opens amid

Carquinez Bridge opens amid a daylong celebration in November. Financed by tolls administered by MTC's Bay Area Toll Authority, it's the first major suspension bridge to be built in California since the Bay Bridge and the Golden Gate Bridge were completed in 1936 and 1937 respectively.

MTC releases *Bay Area Transportation: State of the System 2003*, a handy source for data on freeway, local road, transit, bicycle and pedestrian travel, as well as air travel and goods movement.





Nine months after starting service, the 511 traveler information phone number logs its millionth call — from 511 enthusiast Mikal Mekki, who often calls to check on Bay Area traffic conditions.



MTC Allocations to local agencies and jurisdictions for fiscal year 2002-03

				Local/Region	al	
		Transportation Devel	opment Act		AB 1107 ^(a)	
Recipients	Transit Operations ^(c)	Transit Capital ^(c)	Streets and Roads	Pedestrian and Bicycle	Transit Operations	
Transit Agencies						
Alameda-Contra Costa Transit District (AC Transit)	\$ 38,276,695	\$ —	\$ —	\$	\$32,409,694	
Bay Area Rapid Transit District (BART)	357,153	_	_	_	_	
Caltrain/Joint Powers Board	_	_	_	_	_	
Central Contra Costa Transit Authority (County Connection)	16,566,732	179,200	_	_	_	
Eastern Contra Costa Transit Authority (Tri Delta Transit)	7,035,563	2,341,000	_	_	_	
Fairfield/Suisun City Flyer	1,735,672	2,432,101	_	_	_	
Golden Gate Bridge, Highway & Transportation District	12,017,507	_	_	_	_	
Livermore/Amador Valley Transit Authority (WHEELS)	6,759,317	4,700,000	_	_	_	
Napa Valley VINE	4,140,541	549,792	_	_	_	
San Francisco Municipal Railway (Muni)	22,947,191	_	_	_	32,409,694	
San Mateo County Transit District (SamTrans)	22,781,105	_	_	_	_	
Santa Clara Valley Transportation Authority (VTA)	58,878,304	_	_	_	_	
Santa Rosa CityBus	2,638,536	235,000	_	_	_	
Sonoma County Transit	7,464,570	178,847	_	_	_	
Union City Transit	970,080	2,247,977	_	_	_	
Vallejo Transit	3,909,085	_	_	_	_	
Western Contra Costa Transit Authority (WestCAT)	2,397,017	30,000	_	_	_	
Subtotal	\$208,875,068	\$12,893,917	\$ -	\$ —	\$64,819,388	
Counties/Regional Agencies						
Alameda County ^(f)	48,435	_	_	1,419,364	_	
Contra Costa County ^(f)	_	_	_	891,835	_	
Marin County ^(f)	_	_	_	235,000	_	
Napa County ^(f)	_	_	_	160,000	_	
City and County of San Francisco ^(f)	_	_	_	1,164,000	_	
San Mateo County ^(f)	_	_	_	1,078,450	_	
Santa Clara County ^(f)	_	_	_	2,140,534	_	
Solano County ^(f)	3,193,450	1,324,276	709,573	208,000	_	
Sonoma County ^(f)	1,220,625	655,000	_	225,482	_	
Metropolitan Transportation Commission	_	_	_	_	_	
Association of Bay Area Governments	_	_	_	_	_	
Subtotal	\$ 4,462,510	\$ 1,979,276	\$709,573	\$7,522,665	\$ —	_
Regional Total	\$213,337,578	\$14,873,193	\$709,573			

⁽a) Revenues from a half-cent sales tax collected in Alameda, Contra Costa and San Francisco counties.

⁽b) Includes community transit operating and capital funds.

⁽c) Includes Transportation Development Act Articles 4.5 and 8 community transit programs.

⁽d) Allocations are from State Unrestricted Reserve Funds, provided by Caltrans.

⁽e) SamTrans claims these funds on behalf of the Caltrain/Joint Powers Board.

		State	•				
Toll Bridge	Revenues	State Transit /	Assistance ^(b)		Subtotals		
Transit Operations ^(d)	Transit Capital	Transit Operations	Transit Capital	Transit Operations	Transit Capital	Other Capital	Total
\$ —	\$ 3,471,708	\$10,003,322	\$	\$ 80,689,711	\$ 3,471,708	\$ —	\$ 84,161,419
_	11,824,024	_	_	357,153	11,824,024	_	12,181,177
_	_	_	1,150,000 ^(e)	_	1,150,000	_	1,150,000
_	145,000	1,340,485	_	17,907,217	324,200	_	18,231,417
_	_	778,744	_	7,814,307	2,341,000	_	10,155,307
_	_	_	346,796	1,735,672	2,778,897	_	4,514,569
_	_	2,367,878	_	14,385,385	_	_	14,385,385
_	2,587,590	479,960	_	7,239,277	7,287,590	_	14,526,867
_	_	384,091	_	4,524,632	549,792		5,074,424
_	7,313,431	15,659,282	_	71,016,167	7,313,431	_	78,329,598
_	860,537	609,138	_	23,390,243	860,537	_	24,250,780
_	_	6,433,131	_	65,311,435	_	_	65,311,435
_	_	358,157	_	2,996,693	235,000	_	3,231,693
_	_	620,027	_	8,084,597	178,847	_	8,263,444
_	_	679,131	_	1,649,211	2,247,977	_	3,897,188
1,587,863	662,285	608,008	_	6,104,956	662,285	_	6,767,241
_	120,000	676,304	_	3,073,321	150,000	_	3,223,321
\$1,587,863	\$26,984,575	\$40,997,658	\$1,496,796	\$316,279,977	\$41,375,288	\$ -	\$357,655,265
1,138,975	817,065	_	_	1,187,410	817,065	1,419,364	3,423,839
_	_	_	_	_	_	891,835	891,835
_	_	_	_	_	_	235,000	235,000
_	_	_	_	_	_	160,000	160,000
_	_	_	_	_	_	1,164,000	1,164,000
_	_	_	_	_	_	1,078,450	1,078,450
_	_	_	_	_	_	2,140,534	2,140,534
_	_	728,529	82,932	3,921,979	1,407,208	917,573	6,246,760
_	_	126,523	_	1,347,148	655,000	225,482	2,227,630
_	_	6,038,753 ^(g)	2,186,218 ^(g)	6,038,753	2,186,218	_	8,224,971
140,000 ^(h)	_	_	_	140,000	_	_	140,000
\$1,278,975	\$ 817,065	\$ 6,893,805	\$2,269,150	\$ 12,635,290	\$ 5,065,491	\$8,232,238	\$ 25,933,019
\$2,866,838	\$27,801,640	\$47,891,463	\$3,765,946	\$328,915,267	\$46,440,779	\$8,232,238	\$383,588,284

⁽f) Includes funding for cities, counties and local transportation agencies that are not listed separately above.

⁽g) Allocations fund MTC-sponsored regional programs to improve coordination of and access to transit services; programs include TransLink® transit-fare smart card, Low Income Flexible Transportation (LIFT) Program, and others.

⁽h) Bridge-toll-funded pedestrian and bicycle allocations.

Metropolitan Transportation Commission MTC

Revenues	
State Grants	\$ 77,008,623
■ Federal Funds	28,128,978
■ Transfers From Other Funds	27,250,287
■ Transfers From Reserves	11,487,638
■ Sales Taxes	8,903,326
■ Project Grants From Local Agencies	6,371,924
■ Interest Income	1,764,255
Total Revenue	\$ 160,915,031

Expenses		
Allocations (by Fund Source):		
State Transit Assistance	\$	43,491,600
AB 664 Net Toll Revenue Reserves		11,214,435
Express Bus Program		34,952,000
Other		22,995,056
Professional Fees		32,001,815
Salaries & Benefits		13,165,394
Other Expenditures		3,094,731
Total Expenses	\$ 1	160,915,031

Bay Area Toll Authority **BATA**

Revenues	
Operating Revenues:	
Toll Revenue Receipts	\$144,199,87
Other Revenues	1,905,23
Non-Operating Revenues:	
Interest Income/Sale of Investments	25,530,79
Caltrans Operating Grant	305,00
Total Revenue	171,940,90
Equity Contributions From Reserves	244,351,63
Total Revenue & Equity Contributions	\$416,292,54

Expenses	
Operating Expenses:	
State of California, Caltrans	\$ 35,717,351
Professional Fees	2,641,139
Depreciation/Other	478,103
■ Non-Operating Expenses:	
Interest Expense	20,440,983
Operating Transfers to MTC	24,891,991
■ Capital Transfers:	
State of California, Caltrans	329,518,305
Other Agencies	2,604,669
Total Expenses/Transfers	\$416,292,541

Service Authority for Freeways and Expressways SAFE

Revenues	
■ Vehicle Registration Fees	\$ 5,809,298
■ Caltrans Grants	5,638,413
■ Transfers From BATA	1,337,278
■ Federal Grants	1,111,079
■ Interest Income	262,556
Other	19,172
Total Revenue	\$ 14,177,796

Expenses	
ширеносо	
Towing Contracts	\$ 6,821,624
Transfers to MTC	2,358,296
Increase in Reserves	1,443,913
Professional Fees	1,277,236
Ongoing Maintenance	1,232,486
Depreciation/Communications/Other	1,044,241
Total Expenses/Transfers	\$ 14,177,796

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Report of Independent Auditors

To the Commissioners Metropolitan Transportation Commission

In our opinion, the financial statements of the governmental activities and the business-type activities of the Metropolitan Transportation Commission (MTC) which collectively comprise MTC's basic financial statements, as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, at June 30, 2003 and 2002, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the MTC's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinions.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2003 on our consideration of MTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2003. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental schedules on pages 64 through 82 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

October 3, 2003

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Management's Discussion and Analysis

This section presents a discussion of the results of operations and financial performance of Metropolitan Transportation Commission (MTC), its blended component units, and fiduciary funds for the year ended June 30, 2003.

Fiscal year 2003 was a year of fiscal uncertainty for MTC as well as for many public agencies. The Bay Area economy remained sluggish. The region's sales tax revenue decreased for the second straight year. Yet despite this decrease and the economy, there were highlights during the fiscal year as well. Several programs made significant progress during this year.

- The TransLink® program's phase I demonstration phase, universal smart card, came to a successful conclusion. The next phase will be a full rollout for Bay Area public transit agencies.
- The 511 traveler information service, a successor to the Travinfo® system, went live in December 2002.
- The widening of the San Mateo-Hayward Bridge was completed along with the installation of 86 new call boxes on the bridge.
- The Traffic Congestion Relief Program financed a new generation of state of the art, low
 emission buses for the Regional Express Bus routes developed by MTC in 2001. These routes
 will help close regional gaps in the regional transit network. The program will cost 40 million
 dollars when completed.

(Except as otherwise stated, all amounts described below are expressed in thousands of dollars - 000 removed)

A. Financial Highlights

For the years ended June 30, 2003 and June 30, 2002 net assets of MTC exceeded its liabilities by \$336,399 and \$583,603 respectively. The decrease was primarily the result of planned project draw downs in the Bay Area Toll Authority (BATA) Regional Measure 1 (RM 1) program.

Net assets in the governmental funds for the year ended June 30, 2003 decreased by \$4,296 as compared to an increase of \$4,247 for the year ended June 30, 2002 as reported under the accrual basis of accounting. Net assets in the governmental funds as of June 30, 2003 decreased by \$11,488 compared to a decrease of \$3,310 for the year ended June 30, 2002 as reported under the modified accrual basis of accounting.

At June 30, 2003 fiscal year, the general fund unrestricted reserves were \$1,953, or 2.2% of total general fund expenditures. The general fund reserves at June 30, 2002 fiscal year were \$13,244. The unreserved general fund balances decreased by \$11,291 mainly due to an increase in restricted reserves.

MTC's long-term debt increased by \$300,000 due to an issuance of toll bridge revenue backed bonds issuance by BATA in February 2003. This 2003 issue was the second in a planned \$1 billion (actual dollars) bridge project financing program.

B. Overview of Government-Wide Financial Statements

The government-wide financial statements provide an overview of MTC and its blended component units. The government-wide financial statements comprise a Statement of Net Assets, a Statement of Activities and accompanying footnotes. The Statement of Net Assets presents information on the government-wide change in assets and liabilities of MTC during the 2003 fiscal year. The difference between the assets and liabilities is reported as "Net Assets". The Statement of Activities presents government-wide information showing the change in net assets resulting from revenues earned and expenses incurred during the 2003 and 2002 fiscal year. All changes in net assets are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

The government-wide financial statements distinguish business-type activities, which recover a significant portion of costs from user fees or charges, from governmental activities that are principally supported by grants, contributions, taxes and inter-governmental sources.

MTC is composed of governmental and business-type funds. The governmental funds comprise the general fund and the special revenue funds. The business or proprietary funds are BATA and MTC Service Authority for Freeways and Expressways (SAFE). These funds are further described on page 43 of the footnotes to the financial statements.

The government-wide Statement of Net Assets and Statement of Activities are presented on pages 13-16 of this report with the accompanying footnotes being presented on pages 39-62.

C. Overview of the Fund Financial Statements

i.) Governmental Funds

Governmental funds are used to account for the MTC activities supported by grants, contributions, sales taxes, and inter-governmental revenue sources. These funds focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year end rather than the longer term focus of governmental activities as seen in the government-wide financial statements. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities.

MTC's governmental funds include a general fund and six special revenue funds. These funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund and six of these special revenue funds are considered to be major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting, is on pages 17-21 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for the governmental funds and is presented in these financial statements on pages 22-28 of this report.

ii) Proprietary Funds

Proprietary funds are used to report business-type activities. MTC has two proprietary funds, BATA and SAFE. These funds are presented as blended component units of MTC on the government-wide financial statements. BATA oversees the administration of toll collection and maintenance activities for the seven state-owned bridges in the San Francisco Bay Area, as well as administers the RM 1 capital improvement program approved by the voters in 1988. SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 29-36.

iii) Fiduciary Funds

Fiduciary funds are used to account for resources held in a trust or agent capacity for the benefit of parties outside MTC. These funds are not reflected in the government-wide financial statements, as the resources cannot be used to support the programs of MTC or those of its component units. The fiduciary funds of MTC use the economic resources measurement focus and the accrual basis of accounting.

MTC reports on two fiduciary funds, Transportation Development Act (TDA) and BART Half Cent Sales Tax (AB1107) funds. Revenue for each of these funds are derived from sales tax revenues. The revenues for the TDA fund are deposited with the respective treasurer in each of the nine counties in the region. The revenues for the AB1107 fund are deposited with the State of California. MTC has administrative oversight for the allocation of these funds.

The fiduciary funds financial statements are presented on pages 37-38 of this report.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 39, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

E. Government-wide Financial Analysis

Total government-wide assets exceeded liabilities for fiscal 2003 by \$336,399 and by \$583,603 for fiscal 2002 as illustrated in the following table. The decrease in net assets was due to additional liability resulting from the issuance of \$300,000 in Bridge Toll revenue bonds for BATA and an increase in other liabilities of \$41,581. The increase in liabilities was offset by an increase of \$103,534 to cash and investments resulting from the bond issuance.

i.) Statement of Net Assets

	Metr	opolitan Trans	(\$	000)					
	Govern	nmental	Busine	ss Ty	/pe				
	Activ	vities	Act	ivities			-	Γotal	
	2003	2002	2003		2002		2003		2002
Cash and investments	\$ 116,771	\$ 100,833	\$ 863,450	\$	775,854	\$	980,221	\$	876,687
Receivables	29,318	43,066	37,636		44,556		66,954		87,622
Other assets	508	406	8,414		5,127		8,922		5,533
Loan to other agencies	39,935	32,440	2,003		2,003		41,938		34,443
Capital assets	3,146	3,466	2,137		1,274		5,283		4,740
Total assets	189,678	180,211	913,640		828,814		1,103,318		1,009,025
Long term debt, net	_	-	701,245		401,329		701,245		401,329
Other liabilities	25,626	11,863	40,048		12,230		65,674		24,093
Total liabilities	25,626	11,863	741,293		413,559		766,919		425,422
Net assets:									
Invested in capital assets,									
net of related debt	3,146	3,466	2,137		1,274		5,283		4,740
Restricted	123,857	101,516	130,000		125,000		253,857		226,516
Unrestricted	37,049	63,366	40,210		288,981		77,259		352,347
Total net assets	\$ 164,052	\$ 168,348	\$ 172,347	\$	415,255	\$	336,399	\$	583,603

At June 30, 2003, MTC reported positive balances in all categories of net assets; for the government as a whole, as well as for its separate governmental and business-type activities. The same was true for the 2002 year.

Total restricted assets increased by \$27,341 during the year ended June 30, 2003. This increase includes \$5,000 from the business type activities due to an increase in the reserve requirement for the operating and maintenance reserve for the BATA bonds. The remaining increase of \$22,341 relates to governmental activities. This consists of an increase of \$14,396 in the reserve for encumbrances and other reserves set aside by the Commission. The remaining \$7,945 is an increase in a long term receivable from the Bay Area Rapid Transit District, pertaining to the funding of the SFO Extension Project. Total unrestricted net assets decreased by \$275,088. The governmental funds accounted for \$26,317 of this decrease and the business-type activities accounted for \$248,771. The decrease in the governmental funds is mainly due to an increase in allocation expense and a decrease in state transit revenue. The ongoing \$1.6 billion (actual dollars) RM-1 capital improvement program accounted for \$242,908 of the business-type activities decrease.

ii) Statement of Activities

MTC's net assets for governmental activities decreased by \$4,296 during fiscal year 2003. A breakdown of this activity is illustrated in the table below:

Metropoli	tan Tı	ransportati	on (Commission	n's C	Changes in N	et A	ssets (\$000)				
		Govern	nme	ental		Busines	s T	уре				
		Activities				Activ	rities	i	Total			
		2003		2002		2003		2002	2003		2002	
Revenues:												
Program revenues:												
Charges for services	\$	-	\$	-	\$	151,914	\$	150,128 \$	151,914	\$	150,128	
Operating grants and contributions		48,068	\$	47,069		7,074		7,068	55,142		54,137	
Capital grants and contributions		72,345		64,472		-		-	72,345		64,472	
General revenues:		-		-		-		-	-		-	
Investment earnings		1,764		4,375		25,793		45,598	27,557		49,973	
Total revenues		122,177		115,916		184,781		202,794	306,958		318,710	
Expenses:												
General government		48,571		45,895		-		-	48,571		45,895	
Allocations to other agencies		105,152		92,787		-		-	105,152		92,787	
Toll bridge activities		-		-		390,063		347,029	390,063		347,029	
Congeston relief		-		-		10,376		9,251	10,376		9,251	
Total expenses		153,723		138,682		400,439		356,280	554,162		494,962	
Increase in net assets before transfers		(31,546)		(22,766)		(215,658)		(153,486)	(247,204)		(176, 252)	
Transfers in (out)		27,250		27,013		(27,250)		(27,013)	- '		- '	
Increase (decrease) in net assets		(4,296)		4,247		(242,908)		(180,499)	(247,204)		(176,252)	
Net assets - beginning		168,348		164,101		415,255		595,754	583,603		759,855	
Net assets - ending	\$	164,052	\$	168,348	\$	172,347	\$	415,255 \$	336,399	\$	583,603	

Allocations to other agencies increased by \$12,365 due primarily to expenditures of \$34,952 for Regional Express Buses, as well as a reduction in expenditures by \$23,939 for the STA and AB664 programs due to decreased revenues.

The toll bridge activities expenses increased by \$43,034 due to an increase in capital transfers of \$29,548 and an increase in operating expenses incurred by the State of California Department of Transportation (Caltrans) of \$6,440. Interest expense also increased by \$7,083.

F. Financial Analysis of Business-Type Activities

The following table shows the results of operations for the two years.

Business Type Funds (\$000)					
	 2003	2002 %	2002 % inc/(dec)		
Revenues:					
Toll revenues collected by Caltrans	\$ 144,200 \$	142,337	1.3%		
Other operating revenues	 7,734	7,797	-0.8%		
Total revenues	151,934	150,134	1.2%		
Operating expenses:					
Operating expenses incurred by Caltrans	35,717	29,277	22.0%		
Other operating expenses	13,495	12,408	8.8%		
Total operating expenses	49,212	41,685	18.1%		
Operating income/(loss)	102,722	108,449	-5.3%		
Non-operating revenues/(expenses)					
Interest income	25,697	45,532	-43.6%		
Interest expense	(20,441)	(13,358)	53.0%		
Other	 7,150	7,128	0.3%		
	 12,406	39,302	-68.4%		
Income before operating and capital transfers	115,128	147,751	-22.1%		
Transfers	 (27,250)	(27,012)	0.9%		
Net income before capital transfers	87,878	120,739	-27.2%		
Captial transfers	 (330,786)	(301,238)	9.8%		
Change in net assets	(242,908)	(180,499)	34.6%		
Total net assets - beginning	 415,255	595,754	-30.3%		
Total net assets - ending	\$ 172,347 \$	415,255	-58.5%		

Toll revenue for the seven bridges increased by \$1,863, an increase of 1.3% from the previous year. The increase resulted from a nominal increase in vehicle traffic.

Operating expenses incurred by Caltrans increased 22% put the ETC Processing Center into full operation. Through 2002, Caltrans was in the process of developing the Concord Processing Center for Electronic Toll Collection. The \$6,440 increase in operating costs for the Center was in line with projected costs.

Interest income decreased by 44% due to lower interest rates and a reduction in cash balances resulting from ongoing bridge construction. Interest expense increased by \$7,083 due to an additional bond

issuance of \$300,000 in February 2003, which resulted in added interest in fiscal 2003 of \$3,288. Interest expense recorded on the 2001 toll revenue bonds increased by \$3,795 due to the interest rate swap entered in February 2002.

G. Financial Analysis of Governmental Activities

The fund balance of the MTC governmental funds was \$121,027 and \$132,515 for fiscal years 2003 and 2002 respectively, as reported under the modified accrual basis of accounting. The fund balance includes reserved and unreserved funds. Of the fund balance, an amount of \$61,340 is reserved for encumbrances for fiscal 2003 and \$56,546 for fiscal 2002. A reserve of \$35,601 and \$50,194 for fiscal 2003 and 2002, respectively, is to be used for purposes specific to the special revenue funds. An amount of \$22,133 of the fund balance for 2003 and \$12,530 for 2002 has been reserved for specific Commission or other legal purposes. The remaining balance of \$1,953 for 2003 and \$13,245 for 2002 represents unreserved funds available for appropriation at the government's discretion.

The following table illustrates the revenues and expenditures for the past two fiscal years. Refer to page 21 for a reconciliation between the governmental funds to the Statement of Activities.

	Governmental Funds (S	\$000)			
	<u>-</u>		2003		2002 % inc/(dec)	
Revenues:		_		_		
Sales taxes		\$	8,903	\$	9,327	-4.5%
Grants- Federal			28,129		24,334	15.6%
Grants- State and other agencies			83,381		77,881	7.1%
Invesment income	-		1,764		4,374	-59.7%
Total revenues			122,177		115,916	5.4%
Expenditures:						
Current:						
General government			48,211		45,502	6.0%
Allocations to other agencies			112,648		100,528	12.1%
Capital outlay	_		56		209	-73.2%
Total expenditures	•		160,915		146,239	10.0%
Transfers in	_		27,250		27,013	0.9%
Net change in fund balance			(11,488)		(3,310)	247.1%
ivet change in fund balance	-		(11,400)		(3,310)	241.170
Fund balance - beginning	-		132,515		135,825	-2.4%
Fund balance - ending		\$	121,027	\$	132,515	-8.7%

MTC's sales tax revenue decreased for the second straight year. The federal grant revenue increased mainly due to work on the TravInfo®/511 project. The increase in state and other agency grant revenue was mainly due to a new Traffic Congestion Relief grant for the Express Bus Program for \$34,952. This increase in state and other agency grant revenue was offset partially by a State Transit Assistance revenue decrease of \$27,080 or 42.0% during fiscal 2003. Investment income declined due to the lower interest rates in fiscal 2003.

Total expenditures increased by 10% from fiscal 2002 to 2003. The increase in general government expenditures was primarily due to increase in employee salaries and benefits of \$1,463 and professional fees of \$1,220. Allocations to other agencies increased mainly due to the funds paid to transit operators for the Express Bus Program in 2003 of \$34,952. At the same time, allocations from the STA and AB664 funds decreased by \$23,938.

The deficit for fiscal years 2003 and 2002 was covered by unreserved fund balances.

i) General Fund

The final fiscal year 2003 general fund revenue budget for MTC for the year was \$106,756 an increase of \$52,574 over the original budget adopted on July 1, 2002. The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2003.

General Fund Budget								
	Adopted Budget Final Budget			Actual		Variance		
Revenues	\$	61,889	\$	106,756	\$	78,062	\$	28,694
Expenditures		66,799		124,128		88,208		35,920
Excess/(Deficiency)		(4,910)		(17,372)		(10,146)		(7,226)
Transfers in		4,135		12,307		8,125		4,182
Net Change in Fund Balance		(775)		(5,065)		(2,021)		(3,044)
Fund balance - beginning		29,234		29,234		29,234		-
Fund balance - ending	\$	28,459	\$	24,169	\$	27,213	\$	(3,044)

The principal reason for the increase in the final budget from the adopted budget was due to a carryover of prior year funding and a new forty million dollar grant for the Express Bus Program.

The expenditure in the final budget increased over the adopted budget due to prior year encumbrances being brought forward.

MTC's federal and state funding sources are on a reimbursement basis so it is not unusual for revenue to lag behind the budget. Expenditures were also well below budget, with a net deficit of \$2,021 after transfers.

The general fund's fund balance decreased by \$2,021 at June 30, 2003 due to an increase in general government expenditures.

ii) Other Major Funds

The budget for the other major funds are included on pages 23-28. The expenditures in all these funds were under budget. MTC has seven major governmental funds, including the general fund. Four of these funds are being reported as major funds as they are of particular interest to certain financial statement users.

The AB664 Net Toll revenue fund's fund balance increased by \$1,687 in fiscal 2003 due to a decrease in allocations expense for the year. The STA fund balance decreased by \$9,682 at June 30, 2003 due to a decrease in the state transit assistance revenue.

Metropolitan Transportation Commission Financial Statements for the years ended June 30, 2003 and 2002 Management's Discussion and Analysis (unaudited), *continued*

H. Fiduciary Funds

The following table illustrates the results of the fiduciary funds for the past two fiscal years.

		Fid	uciary Fund	ds (\$000)			
	TDA	Fun	d		AB	1107 Fund	
	2003		2002 9	% inc/(dec)	2003	2002 9	% inc/(dec)
Additions:							
Local Transportation Fund	\$ 254,381	\$	266,473	-4.5%	\$ - \$	-	-
AB1107 Fees	-		-	-	55,819	57,601	-3.1%
Invesment income	1,908		3,763	-49.3%	121	755	-84.0%
Total additions	256,289		270,236	-5.2%	55,940	58,356	-4.1%
Deductions:							
Allocations	231,734		325,552	-28.8%	64,820	61,957	4.6%
Administrative Expenses	9,712		10,185	-4.6%	-	-	-
Total deductions	241,446		335,737	-28.1%	64,820	61,957	4.6%
Net of additions over (under)							
deductions	\$ 14,843	\$	(65,501)	-122.7%	\$ (8,880) \$	(3,601)	146.6%

The sales tax revenue declined for the second straight year in the region. Sales tax revenue for the TDA funds decreased from \$266,473 in fiscal 2002 to \$254,381, a decrease of 4.5% in fiscal 2003. Allocation expense decreased from \$325,552 in fiscal 2002 to \$231,734 in fiscal 2003 for a decrease of 28.8%. The decrease in allocations is also attributable to some of the reserves being used up in fiscal 2002 to help alleviate the shortfall in that year. Sales tax revenue for the AB1107 fund decreased from \$57,601 in fiscal 2002 to \$55,819 in fiscal 2003 for a decrease of 3.1%.

I. Capital Asset Administration

MTC's investment in capital assets for all funds, governmental and proprietary is \$5,283 as reported under the accrual basis of accounting. This investment in capital assets includes furniture and equipment, as well as improvements to the SAFE Callbox system. Eighty-six new call boxes were installed on the San Mateo-Hayward Bridge after completion of the bridge widening project. Assets relating to the seven state-owned bridges administered by BATA are recorded with Caltrans.

Additional information on the MTC's capital assets are disclosed in note 3 on pages 50-51 of this report.

J. Long-Term Debt Administration

The only long-term debt issued by MTC is \$700 million (actual dollars)in bridge toll revenue bonds issued by BATA as part of its \$1.6 billion (actual dollars) RM-1 bridge construction and rehabilitation program. The following is a summary of the debt and interest rate swap transactions in place at June 30, 2003:

In January 2001, BATA completed the first \$400 million (actual dollars) phase of a planned \$1 billion (actual dollars) construction funding program. The 2001 financing consisted of \$300 million (actual dollars) variable rate debt with \$100 million (actual dollars) in fixed rate debt. The floating rate bonds have a final maturity of 2036 and the fixed rate bonds a final maturity of 2018.

Metropolitan Transportation Commission Financial Statements for the years ended June 30, 2003 and 2002 Management's Discussion and Analysis (unaudited), *continued*

In May 2001, BATA completed a \$300 million (actual dollars), 35 year, floating-to-fixed rate swap with three counter-parties: AMBAC-FS LLP – \$150 million, CitiCorp and Morgan Stanley – \$75 million each. BATA pays a fixed rate (ranging from 4.09% to 4.10%) and receives the actual variable rate payment for years 1 through 4 and a rate based on 65% of LIBOR through 2036, the remaining term of the original financing. The AMBAC-FS LLP transaction is insured as to BATA and AMBAC-FS LLP (counter-party) default by a policy underwritten by AMBAC-Assurance Corporation.

In May 2002, BATA also completed a contract with AMBAC Financial Services to swap a future \$200 million (actual dollars) floating rate issue to a synthetic fixed-rate. The \$200 million (actual dollars) in variable rate demand obligation (VRDO) was subsequently issued in March 2003. BATA will pay a fixed payment of 4.14% and receive a floating rate payment based on 65% of the weekly LIBOR index. The transaction is insured against default, both BATA and the counter-party, by AMBAC Assurance Corporation.

BATA maintains long and short-term ratings from Standard & Poor's, Fitch Ratings, as well as Moody's Investors Services. At June 30, 2003, those ratings are:

Standard & Poor's AA/A1
Moody's Aa3
Fitch AA/F1+

In addition, both the 2001 and 2003 variable rate demand bonds carry the AAA /Aaa /AAA ratings of Standard & Poor's, Moody's and Fitch respectively by virtue of the insurance policy written by AMBAC Assurance.

Additional information on MTC's long-term debt can be found in note 4 on pages 52-57 of this report.

K. Economic Factors Impacting MTC

A general economic slowdown which began in fiscal year 2001 will continue to impact the Bay Area and transportation capacity. General factors include:

- Area unemployment is above 6.0%, up from 5.4% in 2002.
- There was a general decline in sales tax revenue. Region-wide revenue declined for a second straight year, down 16% below the high of fiscal year 2001. Sales tax revenue for fiscal 2003 declined in five of the nine counties, and two of the other counties were unchanged from the 2002 year.
- While federal funding has not decreased with the economic slowdown, MTC will face reauthorization of the TEA 21 (renamed SAFETEA) in fiscal year 2004, which impacts regionwide funding.
- Interest rates remained at historical low levels drastically reducing any potential investment earnings as a revenue source.

Metropolitan Transportation Commission Financial Statements for the years ended June 30, 2003 and 2002 Management's Discussion and Analysis (unaudited), *continued*

While these factors are critical to the region-wide transportation planning and funding which is MTC's principal task, these factors are not expected to significantly impact MTC operations nor the operations of SAFE or BATA.

Requests for information

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 101 8th Street, Oakland, Ca 94607.

Metropolitan Transportation Commission Statement of Net Assets June 30, 2003

		Primary Governme	nt
	Governmental	Business-type	
	<u>Activities</u>	Activities	<u>Total</u>
Assets			
Cash and cash equivalents - unrestricted	\$ 96,454,953	\$ 390,384,373	\$ 486,839,326
Cash and cash equivalents - restricted	5,187,787	-	5,187,787
Investments - unrestricted	15,128,313	343,065,198	358,193,511
Investments - restricted	-	130,000,000	130,000,000
Receivables:			
Accounts and tolls due	387,647	3,727,415	4,115,062
Interest	116,846	6,675,929	6,792,775
State funding	19,673,235	8,109,760	27,782,995
Federal funding	7,437,686	1,346,090	8,783,776
Maintenance funding	-	17,776,724	17,776,724
Indirect cost recovery	1,702,560	-	1,702,560
Prepaid items	508,682	490,347	999,029
Bond issuance costs	-	7,924,365	7,924,365
Loan to other agencies	39,935,000	2,002,933	41,937,933
Capital assets (net of accumulated depreciation)	3,145,598	2,137,004	5,282,602
Total assets	189,678,307	913,640,138	1,103,318,445
Liabilities			
Accounts payable and other current liabilities	19,853,439	1,408,241	21,261,680
Accrued liabilities	5,671,046	3,125,914	8,796,960
Due to/(from) other funds	46,356	(46,356)	-
Due to Caltrans	-	35,560,472	35,560,472
Noncurrent liabilities:			
Long-term capital leases:			
Due within one year	24,476	_	24,476
Due in more than one year	30,521	-	30,521
Long-term debt, net		701,244,921	701,244,921
Total liabilities	25,625,838	741,293,192	766,919,030
Net Assets			
T	2 1 1 5 5 5 5	0.107.001	5.000 (00
Invested in capital assets, net of related debt	3,145,598	2,137,004	5,282,602
Restricted for:	61 660 0= :		(1 000 0 - :
Capital projects	61,339,974	-	61,339,974
Other purposes	62,068,118	130,000,000	192,068,118
Unrestricted	37,498,779	40,209,942	77,708,721
Total net assets	\$ 164,052,469	\$ 172,346,946	\$ 336,399,415

Metropolitan Transportation Commission Statement of Net Assets June 30, 2002

	1	Primary Governme	ent
	Governmental	Business-type	
	<u>Activities</u>	Activities	<u>Total</u>
Assets			
Cash and cash equivalents - unrestricted	\$ 68,403,136	\$ 286,638,434	\$ 355,041,570
Investments - unrestricted	32,430,150	364,215,410	396,645,560
Investments - restricted	-	125,000,000	125,000,000
Receivables:			
Accounts and tolls due	494,479	4,125,638	4,620,117
Interest	502,900	9,473,977	9,976,877
State funding	35,397,349	7,154,081	42,551,430
Federal funding	5,587,370	1,171,980	6,759,350
Maintenance funding	-	22,027,480	22,027,480
Indirect cost recovery	1,083,593	-	1,083,593
Other	-	603,083	603,083
Prepaid items	406,276	507,177	913,453
Bond issuance costs	-	4,620,120	4,620,120
Loan to other agencies	32,440,000	2,002,933	34,442,933
Capital assets (net of accumulated depreciation)	3,465,851	1,273,731	4,739,582
Total assets	180,211,104	828,814,044	1,009,025,148
Liabilities			
Accounts payable and other current liabilities	8,754,202	1,347,958	10,102,160
Accrued liabilities	2,320,431	2,791,850	5,112,281
Due to/(from) other funds	716,114	(716,114)	-
Due to Caltrans	_	8,806,834	8,806,834
Noncurrent liabilities:		, ,	, ,
Long-term capital leases:			
Due within one year	25,231	_	25,231
Due in more than one year	46,708	-	46,708
Long-term debt, net		401,328,849	401,328,849
Total liabilities	11,862,686	413,559,377	425,422,063
Net Assets			
	2.462.0=:	1 0-0 -0:	4.500.505
Invested in capital assets, net of related debt	3,465,851	1,273,731	4,739,582
Restricted for:	56.546.343		56546040
Capital projects	56,546,243	105 000 000	56,546,243
Other purposes	44,969,896	125,000,000	169,969,896
Unrestricted	63,366,428	288,980,936	352,347,364
Total net assets	\$168,348,418	\$ 415,254,667	\$ 583,603,085

Metropolitan Transportation Commission Statement of Activities For the Year Ended June 30, 2003

	Expenses		Primary	Primary Revenues		Net (Net (Expense) Revenue and	e and
						CI	Changes in Net Assets Primary Government	ets nt
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total
Functions Governmental Activities: General government Allocations to other agencies	\$ 48,570,719 105,152,624	∽	\$ 43,404,229 4,664,094	\$ 72,344,529	\$ 43,404,229 77,008,623	\$ (5,166,490) (28,144,001)	s	\$ (5,166,490) (28,144,001)
Total governmental activities	153,723,343		48,068,323	72,344,529	120,412,852	(33,310,491)	•	(33,310,491)
Business-type Activities: Toll bridge activities Congestion relief	390,063,272 10,375,587	146,105,106 5,809,298	305,004 6,768,664		146,410,110 12,577,962		(243,653,162) 2,202,375	(243,653,162) 2,202,375
Total business-type activities	400,438,859	151,914,404	7,073,668	•	158,988,072	'	(241,450,787)	(241,450,787)
Total primary government	\$ 554,162,202	\$ 151,914,404	\$ 55,141,991	\$ 72,344,529	\$ 279,400,924	(33,310,491)	(241,450,787)	(274,761,278)
	General revenues: Unrestricted inv Transfers	General revenues: Unrestricted investment earnings Transfers	SBS			1,764,255 27,250,287	25,793,353 (27,250,287)	27,557,608
	Total general	Total general revenues and transfers	sfers			29,014,542	(1,456,934)	27,557,608
	Change in net assets	assets				(4,295,949)	$(4,295,949) \qquad (242,907,721) \qquad (247,203,670)$	(247,203,670)
	Net assets - beginning	inning				168,348,418	415,254,667	583,603,085
	Net assets - ending	ling				\$ 164,052,469	\$ 164,052,469 \$ 172,346,946	\$ 336,399,415

Metropolitan Transportation Commission Statement of Activities For the Year Ended June 30, 2002

	Expenses		rillialy	Primary Revenues		Net (Net (Expense) Revenue and	e and
						CI	Changes in Net Assets Primary Government	ets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total
Functions Governmental Activities: General government Allocations to other agencies	\$ 45,894,987 92,787,010	sa .	\$ 40,479,572 6,589,370	\$ 64,472,632	\$ 40,479,572 71,062,002	\$ (5,415,415) (21,725,008)	\$	\$ (5,415,415) (21,725,008)
Total governmental activities	138,681,997	٠	47,068,942	64,472,632	111,541,574	(27,140,423)	1	(27,140,423)
Business-type Activities: Toll bridge activities Congestion relief	347,029,659 9,251,327	144,230,152 5,897,408	594,987 6,473,376		144,825,139 12,370,784	' '	(202,204,520) 3,119,457	(202,204,520) 3,119,457
Total business-type activities	356,280,986	150,127,560	7,068,363	,	157,195,923	1	(199,085,063)	(199,085,063)
Total primary government	\$ 494,962,983	\$ 150,127,560	\$	54,137,305 \$ 64,472,632	\$ 268,737,497	(27,140,423)	(199,085,063)	(226,225,486)
	General revenues: Unrestricted inv Transfers	eneral revenues: Unrestricted investment earnings ransfers	şs			4,374,608 27,012,806	45,598,476 (27,012,806)	49,973,084
	Total general	Total general revenues and transfers	sfers			31,387,414	18,585,670	49,973,084
	Change in net assets	ıssets				4,246,991	(180,499,393)	(176,252,402)
	Net assets - beginning	inning				164,101,427	595,754,060	759,855,487
	Net assets - ending	ing				\$ 168,348,418	\$ 415,254,667 \$ 583,603,085	\$ 583,603,085

Metropolitan Transportation Commission Balance Sheet – Governmental Funds June 30, 2003

		MTC <u>General</u>	Transit Reserve <u>Funds</u>	Rail Extension Reserves	AB 664 Net Toll Revenue <u>Reserves</u>	Exchange	STA	Feeder Bus	Total Governmental <u>Funds</u>
Assets Cash and cash equivalents - unrestricted Cash and cash equivalents - restricted Investments	€	25,545,901 \$ 5,187,787 147,313	3,116,633	\$ 5,516,897 \$	30,944,885 \$	13,415,331 \$	17,839,836 \$	75,470 \$	96,454,953 5,187,787 15,128,313
Kecevables: Acounts Interest State Funding Federal Funding Indirect cost recovery		31,020 30,000 2,564,690 7,437,686 1,702,560 508,682		5,414	29,432		52,000 17,108,545	356,627	387,647 116,846 19,673,235 7,437,686 1,702,560 508,682
ats	se	43,155,639 \$	3,116,633 \$	5,522,311 \$	45,955,317 \$	13,415,331 \$	35,000,381 \$	432,097 \$	146,597,709
Liabilities and fund balances Liabilities Accounts Payable Accruals Due to other funds Other	€	8,843,139 \$ 2,129,138 (240,626) 5,211,837	169,121 \$ - 5,949	\$ - \$ 126 (85,098)	509,945 \$ 959 (113,414)	37,532	5,008,912 \$ 3,540,823 442,013	\$	14,641,602 5,671,046 46,356 5,211,837
Total liabilities		15,943,488	175,070	(84,972)	397,490	148,017	8,991,748		25,570,841
Fund balances Reserved for Encumbrances Other		3,126,010 22,133,118	2,476,513	2,276,406	35,731,467	7,577,393	9,867,673	284,512	61,339,974 22,133,118
Oneservea, reported in General fund Special revenue funds		1,953,023	465,050	3,330,877	9,826,360	5,689,921	- 16,140,960	147,585	1,953,023 35,600,753
Total fund balances Total liabilities and fund balances	€	27,212,151	2,941,563	5,607,283	45,557,827	13,267,314	26,008,633	432,097	121,026,868
ental activitii mental activi I payable in t t available to vities	es in tities a the cu	the statement of ne re not financial re arrent period and t for current-period	t assets are differences and, therefore are not a	rent because: efore, are not reported eported in the funds d, therefore, are defer	, sp	10,410,001		(C) 77 C	3,145,598 (54,997) 39,935,000 164,052,469

Metropolitan Transportation Commission Balance Sheet – Governmental Funds June 30, 2002

		MTC General	Transit Reserve <u>Fund</u>	Rai	Rail Extension <u>Reserves</u>	AB 664 Net Toll Revenue <u>Reserves</u>	Exchange		$\frac{\text{STA}}{\text{STA}}$	Feeder Bus	Total Governmental <u>Funds</u>	ıl nental <u>is</u>
Assets Cash and cash equivalents - unrestricted Investments	€	25,982,481 \$	4,010,610	*	798,712 \$ 4,994,500	18,392,397 \$ 27,435,650	13,892,668	€	5,274,992	\$ 51,276	\$ 68,40 32,43	68,403,136 32,430,150
Receivables: Accounts Interest State Funding Federal Funding Indirect cost recovery Premaid riems		69,442 161,103 3,817,603 5,587,370 1,083,593 406,276	90,446 34,000	10.0	227,768 32,841 - -	106,823 144,456 - -	80,000		50,000 31,579,746	200	35,35 1,00 1,00 1,00	494,479 502,900 35,397,349 5,587,370 1,083,593 406,276
Total assets	\$	37,107,868 \$	4,135,056	\$ 9	6,053,821 \$	46,079,326 \$	13,972,668	\$	36,904,738 \$	51,776	\$ 144,30	144,305,253
Liabilities and fund balances Liabilities Accounts payable Accruals Due to other funds Other	€-	4,873,205 \$ 2,167,688 160,157 673,180	228,898	\$. 141	2,056,381 \$ 152,602	201,901	60	720,637 8	· · · · ·	\$ 8,08 2,33 77	8,081,022 2,320,431 716,114 673,180
Total liabilities		7,874,230	228,898		141	2,208,983	264,599		1,213,896		11,79	11,790,747
Fund balances Reserved for Encumbrances Other Unreserved, reported in General fund Special revenue funds		3,459,288 12,529,896 13,244,454	2,944,179		210,615	35,080,668	8,177,070		6,674,423		56,55 12,53 13,24 50.19	56,546,243 12,529,896 13,244,454 50,193,913
Total fund balances		29,233,638	3,906,158		6,053,680	43,870,343	13,708,069		35,690,842	51,776	132,5	132,514,506
Total liabilities and fund balances	\$	37,107,868 \$	4,135,056	\$	6,053,821 \$	46,079,326 \$	13,972,668	\$	36,904,738	\$ 51,776		
Amounts reported for governmental activities in the statement of net assets are different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds Capital leases are not due and payable in the current period and therefore are not reported in the funds Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	es in thities ar the cur	in the statement of net assets are different because: es are not financial resources and, therefore, are not e current period and therefore are not reported in the pay for current-period expenditures and, therefore, is	et assets are desources and, inherefore are il expenditures	ifferen therefo tot rep s and, t	t because: .re, are not repor orted in the func	rted in the funds ls ferred in the funds				'	3,40) 32,44	3,465,851 (71,939) 32,440,000

The accompanying notes are an integral part of these financial statements.

Net assets of governmental activities

\$ 168,348,418

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2003 **Metropolitan Transportation Commission**

	ال	General	Transit Reserve <u>Fund</u>		Rail Extension Reserves	AB664 Net Toll Revenue Reserves	Exchange	STA	Feeder Bus	Total Governmental <u>Funds</u>
Revenues Sales taxes Grants - Federal Grants - State Project grants from local agencies Investment income	\$ 78 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	8,903,326 28,128,978 36,795,447 3,874,353 359,767	\$ - 2,821,000 - 29,471		- - - 166,256	621,240	\$ - - - 108,757	\$ - 37,392,176 - 452,808	\$ - - 2,497,571 25,956	\$ 8,903,326 28,128,978 77,008,623 6,371,924 1,764,255
Total revenues	32	78,061,871	2,850,47	171	166,256	621,240	108,757	37,844,984	2,523,527	122,177,106
Expenditures Current: General government Allocations to other agencies Capital outlay	34	48,206,145 39,946,631 55,795	4,814,154		1,033 10,584,209	4,435 11,210,000	457,823	43,491,600	2,143,206	48,211,613 112,647,623 55,795
Total expenditures	88	88,208,571	4,814,154		10,585,242	11,214,435	457,823	43,491,600	2,143,206	160,915,031
Excess (deficiency) of revenues over (under) expenditures	(10	(10,146,700)	(1,963,683)		(10,418,986)	(10,593,195)	(349,066)	(5,646,616)	380,321	(38,737,925)
Other financing sources / uses Transfers in Transfers out	ω	8,125,213	999,088		9,972,589	12,280,679	- (91,689)	- (4,035,593)		31,377,569 (4,127,282)
Total other financing sources and uses		8,125,213	999,088		9,972,589	12,280,679	(91,689)	(4,035,593)	ī	27,250,287
Net change in fund balances	9	(2,021,487)	(964,595)		(446,397)	1,687,484	(440,755)	(9,682,209)	380,321	(11,487,638)
Fund balances - beginning	25	29,233,638	3,906,158		6,053,680	43,870,343	13,708,069	35,690,842	51,776	132,514,506
Fund balances - ending	\$ 27	\$ 27,212,151	\$ 2,941,563	S	5,607,283	\$ 45,557,827	\$ 13,267,314	\$ 26,008,633	\$ 432,097	\$ 121,026,868

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2002 **Metropolitan Transportation Commission**

		Genera <u>l</u>	Transit Reserve <u>Fund</u>	Rail Extension <u>Reserves</u>	AB664 Net Toll Revenue Reserves	Exchange	STA	Feeder Bus	Total Governmental <u>Funds</u>
Revenues Sales taxes Grants - Federal Grants - State Project grants from local agencies Investment income	89	9,326,567 \$ 24,334,055 6,818,950 3,796,013 937,771	\$ - 2,793,357 218,144	\$ - - 378,603	\$ - - 1,620,904	\$	\$ - - 64,472,632 607,085	\$ - - 3,347	\$ 9,326,567 24,334,055 6,818,950 71,062,002 4,374,608
Total revenues	1	45,213,356	3,011,501	378,603	1,620,904	608,754	65,079,717	3,347	115,916,182
Expenditures Current: General government Allocations to other agencies Capital outlay		45,496,210 6,220,516 209,565	3,225,394	807 10,639,385	5,033 25,381,795	1,736,829	53,258,264	65,827	45,502,050 100,528,010 209,565
Total expenditures]	51,926,291	3,225,394	10,640,192	25,386,828	1,736,829	53,258,264	65,827	146,239,625
Excess (deficiency) of revenues over (under) expenditures		(6,712,935)	(213,893)	(10,261,589)	(23,765,924)	(1,128,075)	11,821,453	(62,480)	(30,323,443)
Other financing sources / uses Transfers in Transfers out		12,215,318	1,169,742	10,007,625	12,482,234	(1,101,504)	- (7,760,609)		35,874,919 (8,862,113 <u>)</u>
Total other financing sources and uses		12,215,318	1,169,742	10,007,625	12,482,234	(1,101,504)	(7,760,609)	1	27,012,806
Net change in fund balances		5,502,383	955,849	(253,964)	(11,283,690)	(2,229,579)	4,060,844	(62,480)	(3,310,637)
Fund balances - beginning		23,731,255	2,950,309	6,307,644	55,154,033	15,937,648	31,629,998	114,256	135,825,143
Fund balances - ending	S	29,233,638 \$	3,906,158	\$ 6,053,680	\$ 43,870,343	\$ 13,708,069	\$ 35,690,842	\$ 51,776	\$ 132,514,506

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities Metropolitan Transportation Commission For the Years Ended June 30, 2003 and 2002

	2003	2002
Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditure and Changes in Fund Balances)	\$(11,487,638) \$ (3,310,637)	\$ (3,310,637)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded non capital lease capital outlays in the current period	(317,193)	(149,041)
Proceeds from the sale of capital assets provide financial resources to governmental funds while only the gain on the sale of the capital asset is reported in the statement of activities. Therefore, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.	(3,060)	(63,797)
The loan receivable from another agency is not recorded as a long-term asset in the governmental funds. Additional loan advances forwarded to the agency during the fiscal year are expensed in the governmental fund but are capitalized as a long-term asset in the statement of net assets. These amounts represents fiscal 2003 and 2002 loan advances, respectively.	7,495,000	7,741,000
Principal repayment on capital leases in an expenditure in the governmental funds, however the principal element of the repayment reduces long-term liabilities in the statement of net assets. This amount is the effect of the differing treatment of capital lease principal repayment.	16,942	29,466
Change in net assets of governmental activities (per Statement of Activities)	\$ (4,295,949) \$ 4,246,991	\$ 4,246,991

Metropolitan Transportation Commission Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund For the Year Ended June 30, 2003

		Budgeted Amounts	ounts		Variance with
		Original	Final	Actual Amounts	Final Budget Positive (Negative)
Revenues	€				
Sales taxes for planning activities	∌	8,891,789 \$	8,340,672 \$		\$ 562,654
Grants - Federal Grants - State		12.902.151	50,092,791	36 795 447	(3,995,598)
Project grants from state and local agencies		10,986,388	12,738,703	3,874,353	(8,864,350)
Investment income Other		1,050,000 $206,755$	1,050,000 $409,123$	359,767	(690,233) $(409,123)$
Total revenues		61,888,943	106,755,865	78,061,871	(28,693,994)
Expenditures Current:					
General government		62,860,692	76,957,340	48,206,145	28,751,195
Allocations to other agencies		3,163,266	46,796,036	39,946,631	6,849,405
Capital outlay		775,000	375,000	55,795	319,205
Total expenditures		66,798,958	124,128,376	88,208,571	35,919,805
Deficiency of revenues under expenditures		(4,910,015)	(17,372,511)	(10,146,700)	7,225,811
Other financing sources Transfers in		4,135,015	12,307,692	8,125,213	(4,182,479)
Net change in fund balances		(775,000)	(5,064,819)	(2,021,487)	3,043,332
Fund balances - beginning		29,233,638	29,233,638	29,233,638	-
Fund balances - ending	\$	28,458,638 \$	24,168,819	\$ 27,212,151	\$ 3,043,332

Metropolitan Transportation Commission Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Transit Reserve For the year ended June 30, 2003

		Budgeted Amounts	ounts		Variance with Final Budget
		<u>Original</u>	<u>Final</u>	Actual <u>Amounts</u>	Positive (Negative)
Revenues Project grants from state and local agencies Investment income	↔	2,821,291 \$	2,821,291 \$	2,821,000 \$ 29,471	(291) 29,471
Total revenues		2,821,291	2,821,291	2,850,471	29,180
Expenditures Current: Allocations to other agencies		4,034,903	7,278,571	4,814,154	2,464,417
Deficiency of revenues under expenditures		(1,213,612)	(4,457,280)	(1,963,683)	2,493,597
Other financing sources Transfers in		1,005,037	1,005,037	880'666	(5,949)
Net change in fund balances		(208,575)	(3,452,243)	(964,595)	2,487,648
Fund balances - beginning		3,906,158	3,906,158	3,906,158	•
Fund balances - ending	↔	3,697,583 \$	453,915 \$	2,941,563 \$	2,487,648

Metropolitan Transportation Commission Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Rail Extension Reserve For the year ended June 30, 2003

		Budgeted Amounts	ounts		Variance with Final Budget
		<u>Original</u>	Final	$\frac{\text{Actual}}{\text{Amounts}}$	Positive (Negative)
Revenues Project grants from state and local agencies Investment income	∽	· ·		. \$. 166,256	. 166,256
Total revenues		1	•	166,256	166,256
Expenditures Current: General Government Allocations to other agencies		15,730,556	15,941,171	1,033	1,033
Total expenditures		15,730,556	15,941,171	10,585,242	5,357,995
Deficiency of revenues under expenditures		(15,730,556)	(15,941,171)	(10,418,986)	5,522,185
Other financing sources Transfers in		9,887,491	9,887,491	9,972,589	85,098
Net change in fund balances		(5,843,065)	(6,053,680)	(446,397)	5,607,283
Fund balances - beginning		6,053,680	6,053,680	6,053,680	'
Fund balances - ending	S	210,615 \$	· S	5,607,283	\$ 5,607,283

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – AB664 Net Toll Revenue Reserves Fund For the Year Ended June 30, 2003 **Metropolitan Transportation Commission**

		Budgeted Amounts	nnts		Variance with
		<u>Original</u>	Final	Actual Amounts	Final Budget Positive (Negative)
Revenues Investment income	⊗	€	ı	\$ 621,240 \$	621,240
Expenditures Current: General government Allocations to other agencies		12,167,266	-47,096,443	4,435 11,210,000	(4,435) 35,886,443
Total expenditures		12,167,266	47,096,443	11,214,435	35,882,008
Deficiency of revenues under expenditures		(12,167,266)	(47,096,443)	(10,593,195)	36,503,248
Other financing sources Transfers in		12,167,266	12,167,266	12,280,679	113,413
Net change in fund balances		ı	(34,929,177)	1,687,484	36,616,661
Fund balances - beginning		43,870,343	43,870,343	43,870,343	1
Fund balances - ending	8	43,870,343 \$	8,941,166 \$	\$ 45,557,827 \$	36,616,661

Metropolitan Transportation Commission Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Exchange For the year ended June 30, 2003

		Budgeted Amounts	iounts		Variance with Final Budget
		<u>Original</u>	<u>Final</u>	Actual Amounts	Positive (Negative)
Revenues Project grants from state and local agencies Investment income	\$	ı ı	.	\$ - \$ 108,757	108,757
Total revenues		,		108,757	108,757
Expenditures Current: Allocations to other agencies			8,114,373	457,823	7,656,550
Excess (deficiency) of revenues over (under) expenditures		ı	(8,114,373)	(349,066)	7,765,307
Other financing sources / (uses) Transfers (out) / in		1		(91,689)	(91,689)
Net change in fund balances		•	(8,114,373)	(440,755)	7,673,618
Fund balances - beginning		13,708,069	13,708,069	13,708,069	1
Fund balances - ending	\$	13,708,069 \$	5,593,696 \$	13,267,314 \$	7,673,618

Metropolitan Transportation Commission Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – STA Fund For the Year Ended June 30, 2003

		Budgeted Amounts	ounts		Variance with Final Budget
		Original	Final A	Actual Amounts	Positive (Negative)
Revenues Project grants from state and local agencies Investment income	∽	37,727,508 \$	36,152,968 \$ 261,277	37,392,176 \$ 452,808	1,239,208
Total revenues		37,727,508	36,414,245	37,844,984	1,430,739
Expenditures Current: Allocations to other agencies		60,712,074	63,396,997	43,491,600	19,905,397
Excess (deficiency) of revenues over (under) expenditures		(22,984,566)	(26,982,752)	(5,646,616)	21,336,136
Other financing sources / (uses) Transfers (out) / in		(3,126,351)	(1,549,520)	(4,035,593)	(2,486,073)
Net change in fund balances		(26,110,917)	(28,532,272)	(9,682,209)	18,850,063
Fund balances - beginning		35,690,842	35,690,842	35,690,842	1
Fund balances - ending	8	9,579,925 \$	7,158,570 \$	26,008,633 \$	18,850,063

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Feeder Bus For the year ended June 30, 2003

		Budgeted Amounts	ounts		Variance with Final Budget
		<u>Original</u>	Final	Actual Amounts	Positive (Negative)
Revenues Project grants from state and local agencies Investment income	∽	5,385,947 \$	5,385,947 \$	2,497,571 \$	(2,888,376)
Total revenues		5,385,947	5,385,947	2,523,527	(2,862,420)
Expenditures Current: Allocations to other agencies		5,385,947	5,385,947	2,143,206	3,242,741
Excess (deficiency) of revenues over (under) expenditures		ı	ı	380,321	380,321
Other financing sources / (uses) Transfers (out) / in		,	,	'	'
Net change in fund balances		ı	1	380,321	380,321
Fund balances - beginning		51,776	51,776	51,776	
Fund balances - ending	⊗	51,776 \$	51,776 \$	432,097 \$	380,321

Metropolitan Transportation Commission Statement of Net Assets – Proprietary Funds June 30, 2003

	Business-ty	pe Activities - Ente	rprise Funds
	Bay Area Toll Authority	Service Authority for Freeways and <u>Expressways</u>	<u>Total</u>
Assets			
Current assets: Cash and cash equivalents Short-term investments Accrued interest	\$ 384,728,455 149,838,096 6,645,492	\$ 5,655,918 10,256,002 30,437	\$ 390,384,373 160,094,098 6,675,929
Prepaid expenses Federal funding due Caltrans funding due	111,360	186,477 1,346,090 7,935,784	297,837 1,346,090 7,935,784
Tolls due from Caltrans Maintenance funding due from Caltrans Prepayments to the Architectural Revolving Fund Other receivables due from Caltrans	3,727,415 17,776,724 192,510 173,976	- - - -	3,727,415 17,776,724 192,510 173,976
Total current assets	563,194,028	25,410,708	588,604,736
Non-current assets: Capital assets: Furniture and equipment, net of accumulated depreciation Callboxes, net of accumulated depreciation	2,037	89,447 2,045,520	91,484 2,045,520
Capital assets, net	2.037	2,134,967	2,137,004
Non-current assets:	2,037	2,131,707	2,137,001
Investments Receivable due from Caltrans Bond issuance costs	182,971,100 2,002,933 7,924,365	- - -	182,971,100 2,002,933 7,924,365
Total non-current assets	192,898,398	_	192,898,398
Restricted non-current assets: Investments	130,000,000	-	130,000,000
Total non-current assets	322,900,435	2,134,967	325,035,402
Total assets	886,094,463	27,545,675	913,640,138
Liabilities Current liabilities: Payable from unrestricted assets			
Accounts payable Accrued expenses Accrued interest payable Retentions payable Due to/(from) MTC Due to Caltrans	207,783 66,800 2,868,756 59,624 220,820 35,560,472	1,128,455 190,358 - 12,379 (267,176)	1,336,238 257,158 2,868,756 72,003 (46,356) 35,560,472
Total current liabilities payable from unrestricted assets	38,984,255	1.064.016	40.048.271
Non-current liabilities: Long-term debt, net	701,244,921		701,244,921
Total liabilities	740,229,176	1,064,016	741,293,192
Net assets Invested in capital assets, net of related debt Restricted net assets Unrestricted net assets	2,037 130,000,000 15,863,250	2,134,967 - 24,346,692	2,137,004 130,000,000 40,209,942
Total net assets			
1 Otal fiet assets	\$ 145,865,287	\$ 26,481,659 \$	172,346,946

Metropolitan Transportation Commission Statement of Net Assets – Proprietary Funds June 30, 2002

	Business-	type Activities - Enterpr	ise Funds
	Bay Area Toll Authority	Service Authority for Freeways and <u>Expressways</u>	<u>Total</u>
Assets			
Current assets:	Ф. 27 0.204.547		206 620 424
Cash and cash equivalents	\$ 278,384,547		, ,
Short-term investments	34,937,000		41,913,400
Accrued interest	9,404,795		9,473,977
Prepaid expenses	96,172	· ·	287,923
Federal funding due Caltrans funding due	-	1,171,980	1,171,980
Tolls due from Caltrans	4 125 629	7,154,081	7,154,081
	4,125,638		4,125,638
Maintenance funding due from Caltrans Prepayments to the Architectural Revolving Fund	22,027,480 219,254		22,027,480 219,254
Other receivables due from Caltrans	603,083		603,083
Total current assets	349,797,969		
	349,797,909	25,017,201	373,615,250
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	4,069		184,308
Callboxes, net of accumulated depreciation		1,089,423	1,089,423
Capital assets, net	4,069	1,269,662	1,273,731
Unrestricted non-current assets:			
Investments	322,302,010	-	322,302,010
Receivable due from Caltrans	2,002,933		2,002,933
Bond issuance costs	4,620,120	-	4,620,120
Total unrestricted non-current assets	328,925,063	-	328,925,063
Restricted non-current assets:			
Investments	125,000,000	-	125,000,000
Total non-current assets	453,929,132	1,269,662	455,198,794
Total assets	803,727,101	25,086,943	828,814,044
Liabilities			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable	573,348		1,347,958
Accrued expenses	466,016		553,285
Accrued interest payable	2,167,302		2,167,302
Retentions payable	59,624	· ·	71,263
Due to/(from) MTC	108,207	` ' '	(716,114)
Due to Caltrans	8,806,834		8,806,834
Total current liabilities payable from unrestricted assets	12,181,331	49,197	12,230,528
Non-current liabilities	401 220 040		401 220 040
Long-term debt, net	401,328,849		401,328,849
Total liabilities	413,510,180	49,197	413,559,377
Net assets			
Invested in capital assets, net of related debt	4,069		1,273,731
Restricted net assets	125,000,000		125,000,000
Unrestricted net assets	265,212,852		288,980,936
Total net assets	\$ 390,216,921	\$ 25,037,746 \$	415,254,667

Metropolitan Transportation Commission Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds For the Year Ended June 30, 2003

		Business-ty	pe Acti	vities - Enter	prise	Funds
				e Authority		
		Bay Area		eeways and		m . 1
	1	oll Authority	Exp	oressways .		<u>Total</u>
Operating revenues						
Toll revenues collected by Caltrans	\$	144,199,876	\$	=	\$	144,199,876
Department of Motor Vehicles registration fees		-		5,809,298		5,809,298
Other operating revenues		1,905,230		19,172		1,924,402
Total operating revenues		146,105,106		5,828,470		151,933,576
Operating expenses						
Operating expenses		35,717,351		-		35,717,351
Towing contracts		-		6,821,624		6,821,624
Professional fees		2,641,139		1,277,236		3,918,375
Repairs and maintenance		791		1,232,486		1,233,277
Communications charges		6,966		414,998		421,964
Depreciation and amortization		142,585		471,964		614,549
Other operating expenses	-	327,761		157,279		485,040
Total operating expenses		38,836,593		10,375,587		49,212,180
Operating income / (loss)		107,268,513		(4,547,117)		102,721,396
Non-operating revenues / (expenses)						
Interest income		25,434,363		262,556		25,696,919
Interest expense		(20,440,983)		-		(20,440,983)
Caltrans operating grants		305,004		5,638,413		5,943,417
Federal operating grants		-		1,111,079		1,111,079
Gain / (loss) on sale of investments		96,434		-		96,434
Total non-operating revenues, net		5,394,818		7,012,048		12,406,866
Income before operating and capital transfers		112,663,331		2,464,931		115,128,262
Transfers						
Transfers to Metropolitan Transportation Commission		(24,891,991)		(2,358,296)		(27,250,287)
Net income before capital transfers		87,771,340		106,635		87,877,975
Capital transfers						
Transfers to Caltrans		(329,518,305)		-		(329,518,305)
Transfer to other agencies		(1,267,391)		-		(1,267,391)
Transfers between programs		(1,337,278)		1,337,278		-
Total capital transfers		(332,122,974)		1,337,278		(330,785,696)
Change in net assets		(244,351,634)		1,443,913		(242,907,721)
Total net assets - beginning		390,216,921		25,037,746		415,254,667
Total net assets - ending	\$	145,865,287	\$	26,481,659	\$	172,346,946

Metropolitan Transportation Commission Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds For the Year Ended June 30, 2002

		Business-ty	уре Ас	tivities - Enterp	orise	Funds
			Serv	ice Authority		
	-	Bay Area		Freeways and		TF 4 1
	1	<u>Γoll Authority</u>	<u>E</u> 2	<u>xpressways</u>		<u>Total</u>
Operating revenues						
Toll revenues collected by Caltrans	\$	142,337,259	\$	-	\$	142,337,259
Department of Motor Vehicles registration fees		-		5,897,408		5,897,408
Other operating revenues		1,892,893		6,588		1,899,481
Total operating revenues	_	144,230,152		5,903,996		150,134,148
Operating expenses						
Operating expenses incurred by Caltrans		29,276,930		-		29,276,930
Towing contracts		-		5,781,261		5,781,261
Professional fees		2,777,475		1,243,449		4,020,924
Repairs and maintenance		-		1,148,377		1,148,377
Communications charges		104.770		342,928		342,928
Depreciation and amortization Other operating expenses		104,778		566,348		671,126
		274,444		168,964		443,408
Total operating expenses		32,433,627		9,251,327		41,684,954
Operating income / (loss)		111,796,525		(3,347,331)		108,449,194
Non-operating revenues / (expenses)						
Interest income		45,052,336		479,994		45,532,330
Interest expense		(13,357,928)		_		(13,357,928)
Caltrans operating grants		594,987		5,201,753		5,796,740
Federal operating grants		-		1,163,811		1,163,811
Operating grants from other agencies		91.644		101,224		101,224
Gain / (loss) on sale of investments	_	81,644		(15,498)		66,146
Total non-operating revenues, net		32,371,039		6,931,284		39,302,323
Income before operating and capital transfers		144,167,564		3,583,953		147,751,517
Transfers						
Transfers to Metropolitan Transportation Commission		(25,248,871)		(1,763,935)		(27,012,806)
Net income before capital transfers		118,918,693		1,820,018		120,738,711
Capital transfers						
Transfers to Caltrans		(300,347,398)		-		(300,347,398)
Transfer to other agencies		(890,706)		-		(890,706)
Total capital transfers		(301,238,104)		-		(301,238,104)
Change in net assets		(182,319,411)		1,820,018		(180,499,393)
Total net assets - beginning		572,536,332		23,217,728		595,754,060
Total net assets - ending	\$	390,216,921	\$	25,037,746	\$	415,254,667

Metropolitan Transportation Commission Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2003

	Business-ty	pe Activities - Enter	prise Funds
		Service Authority	_
	Bay Area	for Freeways and	T-4-1
	Toll Authority	<u>Expressways</u>	<u>Total</u>
Cash flows from operating activities			
Cash receipts from users	\$ 144,598,099	\$ 5,809,298	\$ 150,407,397
Cash payments to suppliers for services	(12,607,726)	(10,004,160)	(22,611,886)
Other receipts/(payments)	6,585,093	19,172	6,604,265
Net cash provided by / (used in) operating activities	138,575,466	(4,175,690)	134,399,776
Cash flows from non-capital financing activities			
Caltrans operating grants	305,004	5,787,585	6,092,589
Federal operating grants		6,094	6,094
Net cash provided by non-capital			
financing activities	305,004	5,793,679	6,098,683
Cash flows from capital and related financing activities			
Interest paid on bonds & capital leases	(19,739,529)	-	(19,739,529)
Amounts charged against ARF	26,744	-	26,744
Proceeds from issuance of revenue bonds	300,000,000	-	300,000,000
Bond issuance cost	(3,528,727)	-	(3,528,727)
Transfers to MTC	(24,891,991)	(1,237,657)	(26,129,648)
Transfers to SAFE Expenditures for facilities, property and equipment	(1,337,278)	1,337,278 (1,337,278)	(1,337,278)
Transfer to Caltrans for capital expenses	(329,518,305)	(1,337,278)	(329,518,305)
Transfer to Other Agencies	(1,267,391)	-	(1,267,391)
Net cash used in capital and related			
financing activities	(80,256,477)	(1,237,657)	(81,494,134)
Cash flows from investing activities			
Proceeds from sale & maturities of investments	2,285,664,707	30,239,894	2,315,904,601
Purchase of investments	(2,265,956,208)	(33,519,496)	(2,299,475,704)
Interest and dividends received	28,011,416	301,301	28,312,717
Net cash provided by (used in) investing activities	47,719,915	(2,978,301)	44,741,614
Net increase (decrease) in cash and cash equivalents	106,343,908	(2,597,969)	103,745,939
Balances - Beginning of year	278,384,547	8,253,887	286,638,434
Balances - End of year	\$ 384,728,455	\$ 5,655,918	\$ 390,384,373
Schedule of noncash activities			
Change in the fair value of investments			
that are not cash and cash equivalents	\$ 278,685	\$ -	\$ 278,685

Metropolitan Transportation Commission Statement of Cash Flows – Proprietary Funds, *continued* For the Year Ended June 30, 2003

		Business-ty	ре А	ctivities - Enterpri	se Funds
	Τ	Bay Area foll Authority	for	vice Authority Freeways and Expressways	<u>Total</u>
Reconciliation of operating income to net cash provided by / (used in) operating activities					
Operating income / (loss)	\$	107,268,513	\$	(4,547,117) \$	102,721,396
Adjustments to reconcile operating income to net					
cash provided by operating activities:					
Depreciation and amortization		142,585		471,964	614,549
Net effect of changes in:					
Tolls due from Caltrans		398,223		-	398,223
Maintenance funding due from Caltrans		4,250,756		-	4,250,756
Prepaid expenses and other assets		(15,188)		5,274	(9,914)
Due to Caltrans		26,753,638		-	26,753,638
Other receivables due from Caltrans		429,107		-	429,107
Accounts payable and accrued expenses		(652,168)		(105,811)	(757,979)
Net cash provided by / (used in) operating activities	\$	138,575,466	\$	(4,175,690) \$	134,399,776

Metropolitan Transportation Commission Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2002

		Business-ty	/pe	Activities - Enterp	ris	e Funds
	<u>T</u>	Bay Area Coll Authority	fo	rvice Authority r Freeways and Expressways		<u>Total</u>
Cash flows from operating activities						
Cash receipts from users Cash payments to suppliers for services Other receipts/(payments)	\$	142,145,243 (36,571,248) 18,419,087	\$	5,920,585 (9,380,546) 6,588	\$	148,065,828 (45,951,794) 18,425,675
Net cash provided by / (used in) operating activities		123,993,082		(3,453,373)		120,539,709
Cash flows from non-capital financing activities						
Caltrans operating grants Federal operating grants Operating grants from other agencies		594,987 - -		498,130 156,972 101,224		1,093,117 156,972 101,224
Net cash provided by non-capital financing activities		594,987		756,326		1,351,313
Cash flows from capital and related financing activities						
Interest paid on bonds & capital leases Amounts charged against ARF Acquisition of capital assets Transfers to MTC Advances from MTC Transfer to Caltrans for capital expenses		(12,626,631) 36,155 - (25,248,871) - (300,347,398)		(35,264) (1,763,935) 242,033		(12,626,631) 36,155 (35,264) (27,012,806) 242,033 (300,347,398)
Transfer to Other Agencies		(890,706)		-		(890,706)
Net cash used in capital and related financing activities		(339,077,451)		(1,557,166)		(340,634,617)
Cash flows from investing activities						
Proceeds from sale & maturities of investments Purchase of investments Interest and dividends received	(1,442,585,760 (1,596,001,190) 37,543,113		32,812,615 (35,678,910) 527,330		1,475,398,375 (1,631,680,100) 38,070,443
Net cash used in investing activities		(115,872,317)		(2,338,965)		(118,211,282)
Net decrease in cash and cash equivalents		(330,361,699)		(6,593,178)		(336,954,877)
Balances - Beginning of year		608,746,246		14,847,065		623,593,311
Balances - End of year	\$	278,384,547	\$	8,253,887	\$	286,638,434
Schedule of noncash activities Change in the fair value of investments that are not cash and cash equivalents	\$	4,550,565	\$	-	\$	4,550,565

Metropolitan Transportation Commission Statement of Cash Flows – Proprietary Funds, *continued* For the Year Ended June 30, 2002

	Business-type Activities - Enterprise Funds				
	Bay Area Toll Authority		Service Authority for Freeways and <u>Expressways</u>		<u>Total</u>
Reconciliation of operating income to net cash provided by / (used in) operating activities					
Operating income / (loss) Adjustments to reconcile operating income to net	\$	111,796,525	\$	(3,347,331) \$	108,449,194
cash provided by operating activities: Depreciation and amortization		104,778		566,348	671,126
Net effect of changes in:		101,770		300,310	071,120
Registration fees receivable		-		23,177	23,177
Tolls due from Caltrans		(192,016)		-	(192,016)
Maintenance funding due from Caltrans		15,506,163		-	15,506,163
TransBay Study funding due from Caltrans		1,623,114		-	1,623,114
Prepaid expenses and other assets		(96,172)		(7,924)	(104,096)
Due to Caltrans		(4,802,246)		-	(4,802,246)
Other receivables due from Caltrans		(603,083)		-	(603,083)
Accounts payable and accrued expenses		656,019		(687,643)	(31,624)
Net cash provided by / (used in) operating activities	\$	123,993,082	\$	(3,453,373) \$	120,539,709

Metropolitan Transportation Commission Statement of Fiduciary Net Assets – Fiduciary Funds June 30, 2003 and 2002

	2003 Fudiciary <u>Funds</u>	2002 Fudiciary <u>Funds</u>
Assets		
Restricted assets held by participating counties	\$ 73,136,486	\$ 52,784,924
Restricted assets held by State Board of Equalization	4,983,274	8,779,857
Due from State of California	282,631	813,715
Interest receivable	 -	116,920
Total Assets	\$ 78,402,391	\$ 62,495,416
Liabilities		
Accounts payable	\$ 9,146,500	\$ -
Accrued expenses	797,757	-
Due to other governments	 68,458,134	62,495,416
Total Liabilities	\$ 78,402,391	\$ 62,495,416

Metropolitan Transportation Commission Statement of Changes in Fiduciary Net Assets – Fiduciary Funds For the Years Ended June 30, 2003 and 2002

	2003 Fiduciary <u>Funds</u>	2002 Fiduciary <u>Funds</u>
Additions		
Local Transportation Fund	\$ 254,380,642	\$ 266,473,341
AB1107 fees	55,818,684	57,600,759
Investment earnings	2 020 002	4.510.010
Interest	 2,029,002	4,518,218
Total additions	312,228,328	328,592,318
Deductions Allocations Administrative	296,553,526 9,712,084	387,508,842 10,185,267
Total deductions	306,265,610	397,694,109
Net of additions over (under) deductions	5,962,718	(69,101,791)
Due to other governments, July 1, 2002	62,495,416	131,597,207
Due to other governments, June 30, 2003	\$ 68,458,134	\$ 62,495,416

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Metropolitan Transportation Commission (MTC) was established under Government Code Section 66500 et seq. the laws of the State of California (State) in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

The MTC's principal sources of revenue to fund its operations include state grants, a percentage of the sales tax revenues collected in the nine Bay Area Counties under the State Transportation Development Act of 1971 (TDA) and grants from the U.S. Department of Transportation, Office of the Secretary of Transportation (U.S. DOT), including the Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and other federal, state and local agencies.

The accompanying financial statements present MTC and its blended component units. MTC is the primary government as defined in Governmental Accounting Standards Board Statement No. 14 as it has separate legal status. Its governing board is separately appointed and it is fiscally independent of other governments. The blended component units discussed below are included as part of the reporting entity because they are financially accountable to MTC. The blended component units, although legally separate entities are, in substance, part of the MTC's operations and financial data from these units are combined with financial data of MTC in preparing the government-wide financial statements. The Commission serves as the governing body for MTC and all its blended component units.

Blended component units

i.) Bay Area Toll Authority

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998. Senate Bill 226 amended Streets and Highway Code Section 30950 et seq. and transferred to BATA certain California Transportation Commission (CTC) and State of California, Department of Transportation (Caltrans) duties and responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by Caltrans in the San Francisco Bay Area. These toll bridges are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge.

Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans. A new ten year agreement was signed in January 2003.

BATA is required to prepare and adopt a budget by July 1 for each fiscal year. BATA adopted a Long Range Plan as required by the Streets and Highway Code. With the concurrence of Caltrans, the plan gives first priority to projects and expenditures that are deemed necessary by Caltrans to preserve and protect the bridges as provided by the

Streets and Highway Code and to pay Caltrans for costs incurred and as authorized in the annual budgets adopted by BATA.

The responsibilities of Caltrans reside with the ownership, operation and maintenance of the bridges, including the collection of the toll revenues, the installation, maintenance and operations of toll collections facilities and equipment, the generation and maintenance of proper records relating to the collection, accounting, allocation and the disbursements of all toll funds collected. Under the terms of the Cooperative Agreement signed in January 2003, BATA will assume responsibility for electronic toll collection starting in December 2004.

Except for the seismic retrofit charge, all the toll revenues and certain other income are transferred to BATA to be managed in accordance with the Cooperative Agreement.

The activities of BATA are structured as a single enterprise with operating revenue and expense recorded by individual bridges.

ii.) MTC Service Authority for Freeways and Expressways (MTC SAFE)

In June 1988, the MTC SAFE was created to receive funds collected by the Department of Motor Vehicles pursuant to Streets and Highways Code Section 2500 et seq., which permits the collection of up to \$1 per registered vehicle in participating counties. The MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Callbox program. The following counties are participants in the MTC SAFE: San Francisco, Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

In 1993, the MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between the MTC SAFE, Caltrans, and the California Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The MTC SAFE now receives additional funding under this program to provide tow truck services to stranded motorists. Three principal sources of funding for the FSP program include statelegislated grants, federal grants, and funding from federal traffic mitigation programs. In addition, the Callbox program supports the FSP program by transferring funds each year.

The management of the MTC SAFE has contracted with the MTC to utilize the administrative personnel and facilities of the MTC.

iii.) MTC Special Revenue Funds

Transit Reserves Fund – The 1998 Regional Measure 1 toll increase authorizes up to 3 percent of toll revenue to be used for congestion-relieving transit operation and capital projects in the bridge corridors and an additional 2 percent of the increase to be used for ferry service capital projects. When the state-owned toll bridges became eligible for federal funding in April 2000, transit operations could no

longer be funded because federal funding guidelines allow toll revenues to be used for transit capital projects but not for transit operations. As such, MTC no longer funds transit operations with toll revenue.

Caltrans entered into a Cooperative Agreement with BATA and MTC whereby Caltrans transferred state funding (Five Percent Unrestricted State Funds) to MTC to replace the Toll Funds previously used for transit operations. As a result of this agreement, new programming and allocation policies were established in MTC Resolution No. 3288, with the Unrestricted State Funds supporting ferry operations and other transit/bicycle projects, and toll revenue transfers limited to ferry capital improvements.

Rail Extension Reserves Fund – Arise from 90 percent of the 25 cent toll increase on two-axle vehicles crossing the San Francisco-Oakland Bay Bridge as authorized by Regional Measure 1. Rail extension funds are allocated exclusively for rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge. Seventy percent of the Rail Extension Reserves are allocated for East Bay rail improvements and the remaining 30 percent for West Bay rail improvements.

AB664 Net Toll Revenue Reserves Fund – Are generated from a 1997 toll increase on the three southern bay area bridges; namely, the Dumbarton Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge. The increase consisted of a charge of 25 cents per two-axle vehicle on the San Francisco-Oakland Bay Bridge and 5 cents per two-axle vehicle on the San Mateo-Hayward and Dumbarton Bridges. These funds are allocated to capital projects that further the development of public transit in the vicinity of these three southern bay area bridges, including transbay and transbay feeder transit services. Substantially all of the current AB664 Net Toll Revenue Reserves are used to match federal transit funds designated for replacement buses and capital facility improvement.

Exchange Funds – Are used for the MTC projects adopted as part of its State Transit Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs. STP funds include flexible funding for projects on any Federal-aid highway, including the National Highway System, bridge projects, public roads, transit capital projects, and intracity and intercity bus terminals and facilities. CMAQ funds provide funding for up to 3 years for capital projects and new operating programs as in the areas of TCMs, Cold Start Programs, Alternative Fuels, Traffic Flow Improvements, Specific Transit Improvements such as new, lower emission transit vehicles, TransLink®, Travel Demand Management, Bicycle and Pedestrian Facilities and Outreach and Rideshare Activities.

State Transit Assistance (STA) Fund – Are used for transit and Paratransit operating assistance, transit capital projects, and regional transit coordination. STA funds are derived from the state sales tax on fuel and apportioned by state statute between population and revenue-based accounts. PUC Section 99313 defines population based funds and PUC Section 99314 defines revenue based funds.

Feeder Bus Fund – Are to reimburse various transit operators for operating the BART Express Bus Program.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of MTC and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

For the year ended June 30, 2002, MTC adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – Management's Discussion & Analysis – for State and Local Governments as a mended by GASB Statement No. 37, Basic Financial Statements – Management's Discussion & Analysis – for State and Local Governments: Omnibus. GASB 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net asset categories; namely, those invested in capital assets, net of related debt, restricted net assets and unrestricted net assets. For the year ended June 30, 2002, MTC also adopted GASB Statement No. 38, Certain Financial Statement Note Disclosures. GASB 38 modifies, establishes, and rescinds certain financial statement disclosure requirements. For the year ended June 30, 2003, MTC adopted GASB Statement No. 40, Deposit and Investment Risk Disclosure.

With respect to the business-type activities of MTC and as required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, MTC will continue to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. MTC has elected under GASB Statement No. 20 to not apply all FASB Statements and Interpretations issued after November 30, 1989, due to the governmental nature of MTC's operations.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period.

MTC reports the following governmental funds:

The *general fund* is used to account for those financial resources that are not required to be accounted for in another fund. MTC's general fund is its primary operating fund.

Special revenue funds are used to account for proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. MTC's special revenue funds include the MTC Bridge Toll Funds, the Exchange Fund, the STA Fund and the Feeder Bus Fund. The MTC Bridge Toll Funds comprise the Transit Reserves Fund, the Rail Extension Reserves Fund and the AB664 Net Toll Revenue Reserves Fund.

The major governmental funds comprise the General Fund, Transit Reserve Fund, Rail Extension Reserve Fund, the AB664 Net Toll Revenue Reserves Fund, the Exchange Fund, the STA Fund, and the Feeder Bus Fund. Balance Sheet and Statements of Revenues, Expenditures and Changes in Fund Balances and Budget to Actual Statements of Revenues and Change in Fund Balances are presented for all governmental funds.

MTC reports the following major proprietary funds:

The *Bay Area Toll Authority (BATA) fund* is used to account for the activities of BATA with responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by the State in the San Francisco Bay Area. BATA is a blended component unit of MTC.

The MTC Service Authority for Freeways and Expressways (SAFE) fund is used to account for the activities of MTC SAFE with responsibilities for administering a freeway motorist aid system in the participating counties as well as providing tow truck services to stranded motorists. MTC SAFE is a blended component unit of MTC.

Additionally, MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent:

The *AB1107 fund* is used to account for the activities of the AB1107 Program. AB1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by the MTC for allocation to the Alameda-Contra Costa Transit District (AC Transit) and the City and County of San Francisco for its municipal railway system (MUNI) on the basis of regional priorities established by the MTC.

The *Transportation Development Act (TDA) Program fund* is used to account for the activities of the TDA Program. In accordance with State regulations and memoranda of understanding with operators and local municipalities, the MTC is responsible for the administration of sales tax revenue derived from the TDA.

D. Budgetary Accounting

Enabling legislation and adopted policies and procedures provide that MTC approve an annual budget by June 30 of each year. Annual budgets are adopted on a basis consistent with Accounting Principles Generally Accepted in the United States of America for all governmental and proprietary funds. MTC also approves a life of project budget whenever new capital projects are approved. MTC presents a preliminary budget in May. The final budget is presented in June. MTC conducts hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget for the following fiscal year. The appropriated budget is prepared by fund, project and expense type. The legal level of control is at the fund level and the governing body must approve additional appropriations. Budget amendments are recommended when needed. Operating appropriations lapse at fiscal year end.

MTC employs the following practices and procedures in establishing budgetary data on a basis consistent with Accounting Principles Generally Accepted in the United States of America as reflected in the basic financial statements:

- Annual budgets are adopted on the modified accrual basis of accounting for governmental fund types. These include the general fund and special revenue funds.
- Annual budgets are adopted on the accrual basis for the proprietary fund types.

E. Encumbrances

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent year appropriations.

F. Cash and Investments

MTC applies the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, which requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Assets for the proprietary funds.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, MTC considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents. Deposits in the investment pool of the County of Alameda are presented as cash and cash equivalents.

Restricted investments

Certain investments are classified as restricted on the Statement of Net Assets because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

G. Capital Assets

Capital assets, which include buildings and improvements, office furniture and equipment, leased equipment, automobiles and callboxes, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost. Depreciation expense for the governmental activities is charged against general government function.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimate useful life in excess of three years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

Voor

<u>1 ears</u>
10 - 45
3 - 10
5
3
10

H. Net Assets

Net assets represent residual interest in assets after liabilities are deducted. Net assets consist of three sections: Invested in capital assets, net of related debt, as well as restricted and unrestricted. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. Restricted net assets consist of amounts restricted for capital expenditures and other purposes. Amounts restricted for other purposes represent net assets restricted for expenditures other than those relating to capital expenditures. These include funds set aside for legal contingencies, High Occupancy Vehicle ("HOV") costs, building replacement costs and a loan receivable from an agency.

I. Retirement Plans

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the "Plan") which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers in the State.

J. Postretirement Health Benefits

The MTC pays certain health care insurance premiums for retired employees. Employees may become eligible for these benefits if they reach normal retirement age while working for the MTC. The number of participants eligible to receive benefits was 39 for the year ended June 30, 2003. The cost of retiree health care insurance premiums is recognized as an expense as premiums are paid. For the years ended June 30, 2003 and 2002, those costs totaled \$152,096 and \$120,377, respectively.

K. Compensated Absences

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers–Milias–Brown Act. A liability exists for accumulated vacation and sick leave. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 400 hours for vacation and 240 hours for sick leave per employee.

L. Maintenance Funding due from Caltrans

In accordance with Amendment No. 2 to the Cooperative Agreement between BATA and Caltrans, Caltrans agreed to reimburse BATA for tow services financed with toll funds from fiscal year 1993 through fiscal year 2001. The reimbursement receivable totals \$17,776,724 and \$22,027,480 at June 30, 2003 and 2002, respectively. The settlement of the maintenance funding due from the State is to be provided in the form of an offset of capital expenses incurred and to be incurred on the Richmond-San Rafael Bridge Trestle Project and Richmond-San Rafael Bridge Deck project. For the years ended June 30, 2003 and 2002, Caltrans incurred \$4,250,756 and \$15,506,163, respectively in expenses as an offset against the settlement.

M. Toll revenues Collected by Caltrans

Except for the seismic retrofit charge, Caltrans collects all toll revenues from the operation of the bridges and transfers such revenues to BATA. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

N. Operating Expenditures Incurred by Caltrans

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge operating expenditures.

O. Transfers to Caltrans for Capital Expenditures

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge capital expenditures.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses are those related to user service activities. While nonoperating revenue and expenses are all others revenues and expenses not related to user service activities.

2. CASH AND INVESTMENTS

Investments are stated at fair value. As a matter of policy, MTC holds investments to maturity with the objective of preservation and safeguarding of capital until the date of anticipated need.

At June 30, 2003 and 2002, the MTC's carrying amount of cash in checking and money market accounts was \$162,401,355 and \$151,888,694, respectively while the bank balance was \$162,969,269 and \$152,747,004, respectively with the difference represented primarily by outstanding checks. Of the bank balances at June 30, 2003 and 2002, \$211,589 and \$393,374 was insured by federal depository insurance or collateralized by securities held by MTC's agent in MTC's name and an amount of \$162,189,766 is required by Section 53652 of the California Government Code to be collateralized 110% by the pledging financial institutions, except promissory notes secured by first trust deeds, or letters of credit issued by the Federal Home Loan Bank of San Francisco which require collateral levels of 150% and 105%, respectively. Such collateral is not required to be in MTC's name.

The California Government Code requires California banking institutions to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with Title 5, Division 2, Chapter 4, Article 2 of the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits. The MTC may waive collateral requirements for deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The MTC invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that "in investing...property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs...." This policy affords the MTC a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. Investments may be made within the following approved instrument guidelines:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit (or time deposits) placed with commercial banks and savings and loans
- Bankers' acceptances
- Authorized pooled investment programs
- Commercial paper Rated "A" or better
- Corporate notes Rated "A" or better
- Municipal bonds
- Mutual funds Rated "A" or better
- Asset backed securities
- Other investment types authorized by state law and not prohibited in the MTC investment policy

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary reserve of \$50 million. At June 30, 2003, BATA had restricted \$80 million as the restricted operations and maintenance reserve and \$50 million as the restricted extraordinary costs reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2003. MTC also has \$5,187,787 cash restricted for costs for the Express Bus purchases funded with the Traffic Relief Program funds.

The MTC holds a position in the investment pool of County of Alameda in the amount of \$27,917,359. These funds in the Alameda County pool are not registered with the Securities and Exchange Commission (SEC). The County of Alameda is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy approved by the Board of Supervisors and also has an investment committee which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the

U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The fair value in the investment pool of County of Alameda is the same as the fair value of the position in the external investment pool at June 30, 2003.

A reconciliation of Cash and Investments as shown on the Statement of Net Assets for all funds at June 30, 2003 and 2002 is as follows:

	2003	2002
Cash	\$ 162,401,355	\$ 151,888,694
Investments	817,819,269	724,798,436
Total cash and investments	\$ 980,220,624	\$ 876,687,130
Reported as:		
Unrestricted cash and cash equivalents	\$ 486,839,326	\$ 355,041,570
Unrestricted investments	358,193,511	396,645,560
Total unrestricted cash and investments	845,032,837	751,687,130
Restricted cash and cash equivalents	5,187,787	-
Restricted investments	130,000,000	125,000,000
Total restricted cash and investments	135,187,787	125,000,000
Total cash and investments	\$ 980,220,624	\$ 876,687,130

3. CAPITAL ASSETS

A summary of changes in capital assets for the years ended June 30, 2003 and 2002 is as follows:

Governmental	activities
--------------	------------

Governmental activities				
	Beginning Balance			Ending Balance
	July 1, 2002	Additions	Retirements	June 30, 2003
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,698,808	\$ 19,651	\$ -	\$ 4,718,459
Office furniture and equipment	2,764,993	36,144	(115,020)	2,686,117
Leased equipment	83,430	-	-	83,430
Automobiles	185,548		(9,136)	176,412
Total cash assets being depreciated	7,732,779	55,795	(124,156)	7,664,418
Less accumulated depreciation for:				
Buildings and improvements	1,901,416	174,380	-	2,075,796
Office furniture and equipment	2,200,996	160,662	(111,960)	2,249,698
Leased equipment	12,166	19,082	-	31,248
Automobiles	152,350	18,864	(9,136)	162,078
Total accumulated depreciation	4,266,928	372,988	(121,096)	4,518,820
Total capital assets, net	\$ 3,465,851	\$ (317,193)	\$ (3,060)	\$ 3,145,598
Business-type activities				
Dusiness-type activities	Beginning			Ending
	Balance			Balance
	July 1, 2002	Additions	Retirements	June 30, 2003
Capital assets, being depreciated:				
Office furniture and equipment	\$ 1,075,462	\$ -	\$ (22,992)	\$ 1,052,470
Callboxes	9,144,800	1,337,278	-	10,482,078
Total cash assets being depreciated	10,220,262	1,337,278	(22,992)	11,534,548
Less accumulated depreciation for:				
Office furniture and equipment	891,154	92,814	(22,982)	960,986
Callboxes	8,055,377	381,181	(22,732)	8,436,558
Total accumulated depreciation	8,946,531	473,995	(22,982)	9,397,544
•				
Total capital assets, net	\$ 1,273,731	\$ 863,283	\$ (10)	\$ 2,137,004

3. CAPITAL ASSETS (continued)

Governmental activities

Beginning Balance	A 4.3%	D. 45	Ending Balance
July 1, 2001	Additions	Retirements	June 30, 2002
\$ 4,578,057	\$ 120,751	\$ -	\$ 4,698,808
2,698,664	66,329	-	2,764,993
63,797	83,430	(63,797)	83,430
163,063	22,485		185,548
7,503,581	292,995	(63,797)	7,732,779
1,731,203	170,213	_	1,901,416
2,003,563	197,433	-	2,200,996
44,658	12,166	(44,658)	12,166
128,898	23,452		152,350
3,908,322	403,264	(44,658)	4,266,928
\$ 3,595,259	\$ (110,269)	\$ (19,139)	\$ 3,465,851
	Balance July 1, 2001 \$ 4,578,057 2,698,664 63,797 163,063 7,503,581 1,731,203 2,003,563 44,658 128,898 3,908,322	Balance July 1, 2001 Additions \$ 4,578,057 \$ 120,751 2,698,664 66,329 63,797 83,430 163,063 22,485 7,503,581 292,995 1,731,203 170,213 2,003,563 197,433 44,658 12,166 128,898 23,452 3,908,322 403,264	Balance July 1, 2001 Additions Retirements \$ 4,578,057 2,698,664 \$ 120,751 66,329 \$ - 63,797 163,063 \$ 83,430 22,485 \$ (63,797) 7,503,581 \$ 292,995 \$ (63,797) 1,731,203 2,003,563 \$ 170,213 197,433 - 44,658 128,898 \$ 12,166 23,452 \$ (44,658) 3,908,322 \$ 403,264 \$ (44,658)

Business-type activities

	Beginning Balance July 1, 2001	Additions	Retirements	Ending Balance June 30, 2002
Capital assets, being depreciated Office furniture and Equipment	\$ 1,040,198	\$ 35,264	\$ -	\$ 1,075,462
Callboxes	9,144,800			9,144,800
Total capital assets being depreciated	10,184,998	35,264		10,220,262
Less accumulated depreciation for				
Office furniture and Equipment	798,704	92,450	=	891,154
Callboxes	7,579,450	475,927		8,055,377
Total accumulated depreciation	8,378,154	568,377		8,946,531
Total capital assets, net	\$ 1,806,844	\$ (533,113)	\$ -	\$ 1,273,731

4. LONG-TERM DEBT

Series 2001 and 2003 General Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the Series 2001 General Revenue projects, including capital improvements and Regional Measure I projects for the Bay Area Bridges, (ii) to finance a Reserve Fund for the General Revenue Bonds were issued during May 2001 and February 2003 to (i) finance the cost of the design and construction of eligible Bonds. A summary of changes in long-term debt for years ended June 30, 2003 and 2002 is as follows:

Business-type activities									
	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2002	Additions	Reductions	Ending Balance Reductions June 30, 2003	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% *	2036	\$150,000,000	\$150,000,000	· ·	· •	\$ 150,000,000	
2001 Revenue Bond Series B	5/24/2001	4.12% *	2029	75,000,000	75,000,000	•	•	75,000,000	
2001 Revenue Bond Series C	5/24/2001	4.11% *	2025	75,000,000	75,000,000	•	•	75,000,000	
2001 Revenue Bond Series D	5/24/2001	4.83% **	2018	100,000,000	100,000,000		•	100,000,000	
2003 Revenue Bond Series A 2/12/20	2/12/2003	4.13% ***	2038	75,000,000	•	75,000,000	•	75,000,000	
2003 Revenue Bond Series B	2/12/2003	4.13% ***	2038	75,000,000	•	75,000,000	•	75,000,000	•
2003 Revenue Bond Series C	2/12/2003	4.14% ****	2038	150,000,000	1	150,000,000	1	150,000,000	
				\$ 700,000,000	400,000,000	300,000,000	ı	700,000,000	- \$
Unamortized bond premium					1,328,849	1	83,928	1,244,921	
Net long-term debt					\$401,328,849	401,328,849 \$300,000,000 \$ 83,928 \$ 701,244,92	\$ 83,928	\$ 701,244,921	

^{* 2001} Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. Of the \$150,000,000 Series A bonds, \$75,000,000 was swapped to a fixed rate of 4.09% and \$75,000,000 was swapped to a fixed rate of 4.10%.

^{** 2001} Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, for a true interest cost of 4.83%.

^{*** 2003} Series A and B are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Series A and B bonds were swapped to a fixed rate of 4.13%

^{****} Of the \$150,000,000 2003 Series C Revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. The \$50,000,000 bonds were swapped to a fixed rate of 4.14%. The remaining \$100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 0.90% as of June 30, 2003.

4. LONG-TERM DEBT (continued)

^{* 2001} Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. Of the \$150,000,000 Series A bonds, \$75,000,000 was swapped to a fixed rate of 4.09% and \$75,000,000 was swapped to a fixed rate of 4.10%.

^{** 2001} Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, for a true interest cost of 4.83%.

Annual funding requirements

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2003 are as follows:

Business-type activities			
	Principal	Interest	Total
Fiscal Year Ending	Payments	Payments	Payments
2004	\$ -	\$ 29,608,986 \$	29,608,986
2005	-	29,500,618	29,500,618
2006	5,785,000	29,473,437	35,258,437
2007	6,015,000	29,240,504	35,255,504
2008-2012	59,485,000	139,813,589	199,298,589
2013-2017	75,200,000	124,508,415	199,708,415
2018-2022	95,415,000	105,713,573	201,128,573
2023-2027	120,500,000	83,840,242	204,340,242
2028-2032	152,600,000	56,289,740	208,889,740
2033-2038	185,000,000	22,231,288	207,231,288
	\$ 700,000,000	\$ 650,220,392 \$	1,350,220,392

Toll Revenue Bonds

The 2001 Bay Area Toll Authority Bridge Toll Revenue Bonds are payable solely from "Pledged Revenues." The Master Indenture, dated as of May 1, 2001 defines Pledged Revenues as all bridge toll revenue as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture except for amounts in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Liquidity Instrument.

BATA has covenanted to maintain bridge toll rates sufficient to meet operations, maintenance and debt service costs. In addition, BATA will seek authority from the State legislature if net toll revenue is less than 1.0 times "fixed charges" as defined by the Master indenture, or the sum of net toll revenue and amounts in the operations and maintenance reserve is less than 1.25 times fixed charges (see detail in Schedule 6).

BATA has also covenanted in the 2001 Indenture that no additional bonds shall be issued, unless the additional bonds are issued for refunding of 2001 Series bond purposes, or Net Revenue equates to greater than 150% of the combined maximum annual debt service, including the 2001 bonds and additional bonds.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary loss reserve of \$50 million. At June 30, 2003, BATA had restricted \$80 million as the restricted operations and maintenance reserve and \$50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2003.

The bonds issued by BATA are secured by a first lien on all revenues and are not an obligation of the MTC primary government or any component unit other than BATA.

Interest Rate and Forward Interest Rate Swap Agreements

In January 2002, BATA completed a floating-to-fixed rate swap transaction with a notional value of \$300 million. Counterparties to the transaction are Ambac for \$150 million, CitiCorp for \$75 million and Morgan Stanley for \$75 million. During the 35-year term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 4.09% to 4.12% while receiving a floating rate payment equivalent to the actual floating rate payment in years 1 through 4 and a floating rate payment based on 65% of the one-month LIBOR index in years 5 through 35. The variable rate bonds associated with this swap were issued as part of BATA's 2001 \$400 million Toll Bridge Revenue bond issue.

In May 2002, BATA approved a forward contract with Ambac to swap variable-to-fixed rate bonds in a notional amount of \$200 million. The contract calls for BATA to pay Ambac a fixed rate of 4.139%. In exchange, BATA will receive a variable rate payment based on 65% of the one-month LIBOR rate for the life of the 2003 financing. The variable rate bonds associated with this swap were issued as part of BATA's 2003 \$300 million Toll Bridge Revenue Bond issue.

BATA entered into these transactions as a means of controlling long-term debt costs while maintaining a hedge against increases in short-term rates. BATA is aware that swap transactions contain certain associated risks not traditionally associated with fixed-rate issues, particularly the risk of counterparty failure. However, BATA has structured the transaction with reasonable safeguards, including downgrade and collateral provisions required of all counterparties, insurance guaranteeing performance on the Ambac components, as well as BATA's unilateral ability to cancel any transaction with 15 days notice.

The swap contracts address credit risk by requiring the counter-parties to post collateral if two triggering mechanisms are reached: counter-party credit ratings fall below "AA-" or "Aa3" from Standard & Poor's and Moody's respectively; and the swap carries a positive fair value in excess of \$10 million.

As of June 30, 2003, Morgan Stanley had a long term rating of "A+" from Standard & Poor's which falls below the "AA-" threshold. However, no collateral is required because the fair value does not exceed \$10 million. The ratings for Ambac and CitiCorp are "AAA/Aaa" and "AA-/Aa1" from Standard & Poor's and Moody's respectively.

Cancellation of any or all of the swap transactions is subject to a market value calculation at the time of termination. The market value calculation is used to determine what, if any, termination payment is due from or (to) the counterparty. At June 30, 2003 the financial and investment advisory firm of Public Financial Management (PFM) established the termination value as of June 30, 2003 as follows:

		Value due from /
<u>Counterparty</u>	Fixed Rate	(to) counterparty
Ambac	4.110%	\$ (10,501,700)
Ambac	4.120%	(11,047,100)
Morgan Stanley	4.090%	(11,700,100)
Salomon Smith Barney	4.100%	(11,822,900)
Ambac	4.139%	(31,642,400)
		\$ (76,714,200)
	Ambac Ambac Morgan Stanley Salomon Smith Barney	Ambac 4.110% Ambac 4.120% Morgan Stanley 4.090% Salomon Smith Barney 4.100%

The termination value, if BATA terminated or defaulted on all swaps is approximately \$76.7 million.

BATA's intent, however, is to maintain the swap transactions for the 35 year life of the financing. In accordance with Governmental Accounting Standards Board Statement No. 20, BATA has not adopted Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and has not recorded the termination value due to the counterparties. A complete summary of swap values and terms is contained in Schedule 18.

The schedule below shows the total interest cost of the swap payments. The total cost is determined by taking the fixed rate payment to the counterparty, netting the variable rate payment received from the counterparty, plus any associated administrative costs associated with the swap and variable rate obligation. The counterparty fixed rate payment is 4.105% and 4.139% for the 2001 and 2003 swap transactions, respectively. The total cost is 4.435% for the 2001 swap and 4.469% for the 2003 swap.

As of June 30, 2003, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C as are as follows:

Payment Date	Principal Payment	Interest (Variable)*	Interest Rate Swaps, Net***	I	nterest Remarketing and Liquidity****	Total Payment
4/1/2004*	\$ -	\$ 12,315,000	\$ -	\$	900,000	\$ 13,215,000
4/1/2005*	-	12,315,000	-		900,000	13,215,000
4/1/2006**	-	2,662,500	9,741,000		900,000	13,303,500
4/1/2007	-	2,662,500	9,741,000		900,000	13,303,500
4/1/2008	-	2,662,500	9,741,000		900,000	13,303,500
4/1/2009-2036	300,000,000	55,378,225	202,606,306		18,719,400	576,703,931
	\$ 300,000,000	\$ 87,995,725	\$ 231,829,306	\$	23,219,400	\$ 643,044,431

As of June 30, 2003, debt service requirements of the variable rate debt and net swap payments for 2003 Series A, B and C as are as follows:

Payment Date	Principal Payment	Interest (Variable)**	Interest Rate Swaps, Net***	I	nterest Remarketing and Liquidity****		Total Payment
4/1/2004	\$ -	\$ 1,775,000 \$	\$ 6,562,000	\$	600,000	\$	8,937,000
4/1/2005	-	1,775,000	6,562,000		600,000		8,937,000
4/1/2006	-	1,775,000	6,562,000		600,000		8,937,000
4/1/2007	-	1,775,000	6,562,000		600,000		8,937,000
4/1/2008	3,000,000	1,775,000	6,562,000		600,000		11,937,000
4/1/2009-2038	197,000,000	32,807,325	121,285,446		11,089,800	3	62,182,571
	\$ 200,000,000	\$ 41,682,325	\$ 154,095,446	\$	14,089,800	\$4	09,867,571

	Series 2001 Bonds	Series 2003 Bonds
Interest Rate Swap		
Fixed payment to counterparty*	4.105%	4.139%
65% Libor	-0.858%	-0.858%
Net interest rate swap payments***	3.247%	3.281%
Variable Rate bond coupon payments**	0.888%	0.888%
Synthetic interest rate on bonds	4.135%	4.169%
Remarketing/liquidity fee****	0.300%	0.300%
Total Cost	4.435%	4.469%

^{**}For Series 2001 Bonds, the above rate calculation takes effect as of April 1, 2006.

5. LEASES

Capital Leases

The MTC leases certain equipment under capital leases expiring in MTC's fiscal year end 2007. The assets and liabilities under this capital lease are recorded at the present value of the minimum lease payments. Minimum future lease payments under the capital lease are comprised of the following:

Governmental Activities

Year Ending June 30	<u>Amount</u>		
2004	\$	22,597	
2005		22,597	
2006		9,968	
2007		7,350	
Total		62,512	
Less interest amounts		(7,515)	
Present value of net minimum lease payments	\$	54,997	

Operating Leases

MTC conducts some of its operations from office space that is leased under a six-year operating lease which commenced on May 5, 1999. Monthly rent under this lease for the year ended June 30, 2003 and 2002 was \$28,860 and \$28,860, respectively.

Future minimum rental payments required under the above operating leases as of June 30, 2003 are as follows:

Year Ending June 30	<u>Amount</u>			
2004	\$ 361,061			
2005	 361,061			
Total	\$ 722,122			

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2003 is as follows:

	Transfer to:								
Transfer from:		General Fund		% Transit Transfers	90	% Regional Rail		AB664 Bridge Toll	Total
Exchange STA BATA	\$	91,689 4,035,593 1,639,635	\$	- - 999,088	\$	- - 9,972,589	\$	- - 12,280,679	\$ 91,689 4,035,593 24,891,991
SAFE		2,358,296		-		-		-	2,358,296
Total	\$	8,125,213	\$	999,088	\$	9,972,589	\$	12,280,679	\$ 31,377,569

Due to/from other funds

Receivable Fund	Payable Fund	Am	Amount			
General Fund	BATA	\$	220,820			
General Fund	STA	\$	442,013			
General Fund	Exchange	\$	37,532			
SAFE	General Fund	\$	267,176			

The composition of interfund balances as of June 30, 2002 is as follows:

	Transfer to:								
Transfer from:	General Fund		5% Transit Transfers	9	0% Regional Rail]	AB664 Bridge Toll		Total
Exchange STA BATA SAFE	\$ 1,101,504 7,760,609 1,589,270 1,763,935	\$	- 1,169,742 -	\$	- - 10,007,625	\$	- - 12,482,234 -	\$	1,101,504 7,760,609 25,248,871 1,763,935
Total	\$ 12,215,318	\$	1,169,742	\$	10,007,625	\$	12,482,234	\$	35,874,919

Due to/from other funds

Receivable Fund	Payable Fund	Am	Amount			
General Fund	BATA	\$	108,207			
General Fund	STA	\$	493,259			
General Fund	Exchange	\$	62,698			
SAFE	General Fund	\$	824,321			

7. EMPLOYEES' RETIREMENT PLAN AND POSTRETIREMENT BENEFITS

Plan Description

MTC's defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento California 95814.

Funding Policy

Members in the Plan are required to contribute 7% of their annual covered salary which is established by California state statute. However, due to a collective bargaining agreement, MTC has a legal obligation to contribute this 7% on behalf of the covered employees. Therefore, employees have no obligation to contribute to the Plan. MTC is also required to contribute the actuarially determined remaining amounts necessary to

fund the benefits for its employees. The actuarial methods and assumptions are those adopted and amended by the CalPERS Board of Administration.

Annual Pension Cost

For the years ended June 30, 2003 and 2002, because of previously determined actuarial surplus, MTC was not required to make actual cash transfers to PERS. The amounts due, employer and member, were deducted from the surplus. Therefore, actual and required contributions were \$0. The required contribution for the year ended June 30, 2003 was determined as part of the June 30, 1998 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included a) 8.25% investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Plan's asset was determined using a technique that smoothes the effect of short-term volatility in market value of investments over a three-year period depending on the size of investment gains and/or losses. The Plan's unfunded actuarial excess asset is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 1998 was 30 years.

The following table shows the MTC's required contributions and the percentage contributed for the current year and each of the two preceding years:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2001	-	100%
6/30/2002	-	100%
6/30/2003	_	100%

Funding progress information for MTC for 2002 is not available. The account surplus is expected to be exhausted in 2005. The MTC's funding progress information as of June 30, 2002 is illustrated as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets over AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
June 30, 2000 June 30, 2001 June 30, 2002	\$ 43,765,185 45,552,447 43,102,147	\$ 	\$ 13,866,722 \$ 12,628,369	146.4% 138.4% 117.9%	\$ 8,283,503 9,035,190 10,346,350	167.4% 139.8% 63.2%

8. COMMITMENTS AND CONTINGENCIES

MTC's administered projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantor's audits are completed and final rulings by the grantor's administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of

MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that is considered normal to the MTC's regional planning activities. MTC has established a \$2.5 million reserve for use for such contingencies. In the opinion of the MTC's management, the ultimate resolution of these matters will not have a material adverse effect on the MTC's government-wide financial position.

Commitment and loan to Bay Area Rapid Transit District

On March 11, 1999, MTC, the San Mateo County Transit District (Samtrans) and the Bay Area Rapid Transit District (BART) (collectively the Parties) entered into a Memorandum of Understanding (MOU) defining the terms and conditions by which additional funds would be made available for the SFO Extension Project (the Project). The Parties agreed to provide a total of \$198.5 million to the Project by September 1, 1999, with BART providing \$50 million, Samtrans providing \$72 million, and MTC providing \$76.5 million.

The MTC's commitment included a \$60 million loan (the Loan) for the Project's cash flow requirements and \$16.5 million for additional budget items. In addition, MTC agreed to pay for interest and financing costs not to exceed \$11.8 million, for a total commitment of \$88.3 million.

To fund the Loan, MTC has agreed to advance \$60 million from the East Bay Rail Extension Reserve Account (the East Bay Account) for Project cash flows. BART will repay this advance without interest, upon authorization and receipt of federal funds anticipated pursuant to BART's full funding grant agreement with the U.S. Department of Transportation (the FTA grant). MTC further agrees to allocate \$16.5 million to BART from the West Bay Rail Extension Reserve Account (the West Bay Account) for budget items, and utilize a combination of bridge toll revenues and other sources to pay interest and financing costs up to \$11.8 million.

On September 1, 1999, the San Francisco Bay Area Transit Financing Authority (the Authority), a joint powers agency, created pursuant to a joint exercise of powers agreement between BART and MTC, issued \$65,650,000 in Bridge Toll Notes (the Notes). The Notes are limited obligations of the Authority, payable from and secured solely by a pledge of bridge toll revenues, from the East Bay Account, allocated to BART by MTC. The Notes are insured by ACA Capital and are to be paid in semi-annual installments until February 1, 2007 at interest rates ranging from 4.25% to 5.75%. Financial statements of the Authority can be obtained from BART, 800 Madison Avenue, Oakland, California 94607.

On February 12, 2001, MTC and BART executed an Acknowledgement Agreement (the Agreement) which modified the repayment terms of the Loan. Under the Agreement, MTC has acknowledged that the FTA grant proceeds, originally pledged to repay the Loan, will be pledged and assigned in favor of bonds (the Bonds) issued by the Association of Bay Area Governments to refinance the Notes and finance the Project. The Agreement confirms BART's obligation to repay the Loan, as set forth in the MOU;

however, such repayment will be made from the general resources of BART, and, subject to the prior pledge in favor of the Bonds.

The following schedule provides a summary of MTC's remaining bridge toll allocation commitment to BART:

Governmental Activities			
	Regional Regional		
	Measure I	Measure I	
	East Bay	West Bay	<u>Total</u>
Year Ending June 30			
2004	\$ 7,000,000	\$ 3,000,000	\$ 10,000,000
2005	7,000,000	3,000,000	10,000,000
2006	7,000,000	3,000,000	10,000,000
2007	301,000	3,000,000	3,301,000
Total	\$ 21,301,000	\$ 12,000,000	\$ 33,301,000

During the year ended June 30, 2003, MTC paid \$10,000,000 to BART increasing the total loan made to BART to \$39,935,000.

9. RISK MANAGEMENT

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by the MTC from insurance companies. To date, there have been no significant reductions in any of the MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

SUPPLEMENTARY INFORMATION

Metropolitan Transportation Commission Schedule of Expenditures – Governmental General Fund For the Year Ended June 30, 2003

For the Year Ended June 30, 2003	Schedule 1			
Expenditures by natural classification:				
Salaries & benefits	\$ 13,165,394			
Travel	283,280			
Professional fees	32,001,815			
Overhead	1,244,695			
Printing & Reproduction	350,045			
Other	1,160,916			
Reported as general government expenditures				
in the Statement of Revenues, Expenditures and				
Changes in Fund Balances - Governmental Funds	\$ 48,206,145			

Metropolitan Transportation Commission Schedule of Overhead, Salaries and Benefit Expense -Governmental General Fund

For the Year Ended June 30, 2003

	Direct Costs	Indirect Costs	Total
Salaries \$ Benefits	8,265,298 2,856,511	\$ 1,591,835 451,750	
TOTAL SALARIES AND BENEFITS \$	11,121,809	\$ 2,043,585	\$ 13,165,394
Reimbursable overhead:			_
Printing and reprographics Computer services Conference and training Auto expense Travel expense/local mileage Transit tickets Meeting room/office rent Office supplies Equipment Rental Equipment maintenance and repair Mailing and postage Communications Insurance Subscriptions Library acquisitions Personnel recruitment Public hearings County auditor Press clippings Provide Graphic Services Law library Parking Legislative analysis services/supplies RAFC maintenance - Third floor Janitorial services Utilities Storage rental Advertisement/legal notices Advisory committees Miscellaneous		\$ 45,336 519,307 69,323 13,493 13,533 3,581 241,358 74,973 37,852 23,080 143,253 86,834 84,454 17,794 18,311 61,101 21,003 20,908 1,719 2,488 20,930 20,227 161 10,233 40,858 5,402 68,865 15,226 16,171 14,750 5,297	\$ 45,336 519,307 69,323 13,493 13,533 3,581 241,358 74,973 37,852 23,080 143,253 86,834 84,454 17,794 18,311 61,101 21,003 20,908 1,719 2,488 20,930 20,227 161 10,233 40,858 5,402 68,865 15,226 16,171 14,750 5,297
Audio Reproduction/Supply Equipment less than \$5,000 in cost Memberships		358 17,177 75,283	358 17,177 75,283
Subtotal		1,810,639	1,810,639
Under absorbed for year ended June 30, 2003		(739,687)	
Carryforward provision		173,743	173,743
Total indirect costs excluding depreciation expense		1,244,695	1,244,695
Depreciation expense		372,988	372,988
Total indirect costs		\$ 1,617,683	\$ 1,617,683

Metropolitan Transportation Commission Schedule of Expenditures - Federal Highway Administration Grant No. 020WPM TCM

For the Year Ended June 30, 2003

A district	Pr		ABAG	MTC	Total
Authorized expend Federal	litures	\$	759,046	\$ 4,454,279	\$ 5,213,325
Local Match		Ф	98,342	577,099	675,441
			•	•	
Total authorized	1		857,388	5,031,378	5,888,766
Actual Expenditur	res *				
ABAG			759,046	-	759,046
MTC					
<u>Program No.</u>	<u>Program Name</u>				
1111	Support the Commission			183,900	183,900
1112	Implement Public Information Program			400,000	400,000
1114	Support advisory committees			195,061	195,061
1121	2001 RTP follow-up			200,000	200,000
1122	Travel models and data			269,834	269,834
1123	Corridor Studies			110,000	110,000
1124	Support Airport, Seaport Freight Planning Committees			10,000	10,000
1125	Non-motorized transportation			10,000	10,000
1131	Legislative Program			200,000	200,000
1154	Graphics			150,000	150,000
1155	Computer support			400,000	400,000
1156	Library services			170,000	170,000
1211	Implement corridor-level management strategies			25,000	25,000
1211	Develop MTS performance measures			75,000	75,000
1212	Implement Freeway Management program			82,868	82,868
1213	Implement TransLink			300,000	300,000
1222	Regional rideshare program			50,000	50,000
1223	Regional transportation marketing program			50,000	50,000
1223	C 1 C1 C			100,000	100,000
1225	Implement regional traveler info services				
	Regional transit information system			50,000	50,000
1227	Coordination projects			100,000	100,000
1229	Refine regional transportation emergency response program			60,000	60,000
1233	Improve pavement management system (PMS)			225,000	225,000
1234	Support partners' efforts to improve the arterial system			10,000	10,000
1241	Develop and implement system integration plans			100,000	100,000
1242	Develop regional architecture			27,738	27,738
1243	Build regional ITS architecture			12,441	12,441
1311	Assist counties			100,000	100,000
1312	Support Title VI and Environmental Justice			25,000	25,000
1411	Air quality			50,000	50,000
1511	Financial analysis and planning			75,000	75,000
1512	Federal programming, monitoring and TIP development			290,000	290,000
1515	State programming and project monitoring			200,000	200,000
1611	Implement Transportation for Livable			30,000	30,000
Total Expenditure	es		759,046	4,336,842	5,095,888
Balance of Fede	ral Highway Administration Grant	\$	-	\$ 117,437	\$ 117,437

^{*} Expenditures reported at federal reimbursement rate (88.53%)

Metropolitan Transportation Commission Statement of Revenues, Expenses and Changes in Fund Net Assets – SAFE Proprietary Fund – By Program For the Year Ended June 30, 2003

	Cal	lbox Program	Freeway Service Patrol Program	Total
Operating revenues				
Department of Motor Vehicles registration fees	\$	5,809,298	*	\$ 5,809,298
Other operating revenues		3,754	15,418	19,172
Total operating revenues		5,813,052	15,418	5,828,470
Operating expenses				
Towing contracts		-	6,821,624	6,821,624
Professional fees		1,032,226	245,010	1,277,236
Repairs and maintenance		1,126,771	105,715	1,232,486
Communications charges		323,948	91,050	414,998
Depreciation and amortization		382,495	89,469	471,964
Other Operating Expenses		35,148	122,131	157,279
Total Operating Expenses		2,900,588	7,474,999	10,375,587
Operating income / (loss)		2,912,464	(7,459,581)	(4,547,117)
Unrestricted non-operating revenues / (expenses)				
Interest Income		262,556	-	262,556
Caltrans operating Grants		62,061	6,507,227	6,569,288
Federal operating grants		-	180,204	180,204
Total non-operating revenues, net		324,617	6,687,431	7,012,048
Income before operating and capital transfers		3,237,081	(772,150)	2,464,931
Transfers to MTC		(1,741,660)	(616,636)	(2,358,296)
Transfers between programs		(1,388,786)	1,388,786	-
Contributed capital		1,337,278	-	1,337,278
Change in net assets		1,443,913	-	1,443,913
Total net assets - beginning		25,037,746	-	25,037,746
Total net assets - ending	\$	26,481,659	\$ -	\$ 26,481,659

Statement of Revenues, Expenses and Changes in Fund Net Assets – SAFE Proprietary Fund – Callbox Program – By County For the Year Ended June 30, 2003 **Metropolitan Transportation Commission**

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	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
Revenues Department of Motor Vehicles registration fees Caltrans operating grants Investment earnings and other revenues	\$ 1,210,791 12,935 55,505	\$ 845,747 9,035 38,771	€-	230,419 \$ 122,451 2,462 1,308 10,563 5,613	\$ 484,723 5,178 22,221	\$ 681,362 7,279 31,235	681,362 \$ 1,436,908 7,279 15,351 31,235 65,871	\$ 346,984 \$ 3,707 15,906		449,913 \$ 5,809,298 4,806 62,061 20,625 266,310
Total Revenues	1,279,231	893,553	243,444	129,372	512,122	719,876	1,518,130	366,597	475,344	6,137,669
Expenses	604,278	424,350	103,016	96,517	62,885	414,763	747,820	211,932	235,027	2,900,588
Income before operating and capital transfers	674,953	469,203	140,428	32,855	449,237	305,113	770,310	154,665	240,317	3,237,081
Interfund transfers	(141,473)	(461,543)	(185,483)	(51,612)	(66,834)	226,306	(731,977)	(190,150)	(190,402)	(1,793,168)
Change in net assets	533,480	7,660	(45,055)	(18,757)	382,403	531,419	38,333	(35,485)	49,915	1,443,913
Total net assets - beginning Total net assets - ending	5,334,413 \$ 5,867,893	3,327,948 \$ 3,335,608	(18,557)	(53,519)	3,447,815 \$ 3,830,218	2,781,426 \$ 3,312,845	3,327,948 (18,557) (33,519) 3,447,815 2,781,426 7,942,130 (143,725) 2,419,815 \$ 3,335,608 \$ (63,612) \$ (72,276) \$ 3,830,218 \$ 3,312,845 \$ 7,980,463 \$ (179,210) \$ 2,469,730	(143,725) \$ (179,210)	2,419,815	25,037,746 \$26,481,659

Metropolitan Transportation Commission Schedule of Computations Demonstrating Bond Covenant Compliance – BATA Proprietary Fund For the Year Ended June 30, 2003

	2003	2002
Revenue Tolls Interest Other	\$ 144,199,876 25,434,363 2,306,668	\$ 142,337,259 45,133,980 2,487,880
Total revenue	171,940,907	189,959,119
Operating expenses Operating expenses Services and charges Depreciation	35,717,351 2,976,657 142,585	29,276,930 3,051,919 104,778
Total operating expenses	38,836,593	32,433,627
Net operating income	133,104,314	157,525,492
Debt service	20,440,983	13,357,928
Income before operating transfers	112,663,331	144,167,564
Operating transfers Metropolitan Transportation Commission Administrative Transfers Metropolitan Transportation Commission Transit Transfers AB664 expenses 90% rail expenses 5% transit expenses	1,639,635 12,280,679 9,972,589 999,088	1,589,270 12,482,234 10,007,625 1,169,742
Total operating transfers	24,891,991	25,248,871
Net income before capital transfers	87,771,340	118,918,693
Capital project transfers Regional Measure 1 transfers Bridge rehabilitation transfers Transfers to other agencies Total capital transfers	306,408,859 23,109,446 2,604,669 332,122,974	280,126,750 20,220,648 890,706 301,238,104
Change in net assets Total net assets havinning	(244,351,634)	(182,319,411)
Total net assets - beginning Total net assets - ending	390,216,921 \$ 145,865,287	\$ 390,216,921
Total net assets - chung	φ 1 4 5,005,267	φ J70,410,741

Metropolitan Transportation Commission Schedule of Computations Demonstrating Bond Covenant Compliance – BATA Proprietary Fund, *continued* For the Year Ended June 30, 2003

	2003	2002
Net operating income	\$ 133,104,314	\$ 157,525,492
Debt service	\$ 20,440,983	\$ 13,357,928
Debt service coverage (1)	6.51	11.79
Debt service coverage - bond covenant requirement	1.00	1.00
Total revenue	\$ 171,940,907	\$ 189,959,119
Fixed charges (2)	\$ 84,169,567	\$ 71,040,426
Fixed charge coverage	2.04	2.67
Fixed charge coverage - bond covenant requirement	1.00	1.00
Total revenue plus operations & maintenance reserve	\$ 251,940,907	\$ 264,959,119
Fixed charges (2)	\$ 84,169,567	\$ 71,040,426
Fixed charge coverage	2.99	3.73
Fixed charge coverage - bond covenant requirement	1.25	1.25
Self insurance reserve	\$ 50,000,000	\$ 50,000,000
Self insurance reserve - bond covenant requirement	\$ 50,000,000	\$ 50,000,000
Operations & maintenance reserve	\$ 80,000,000	\$ 75,000,000
Operations & maintenance reserve - bond coverage requirement	\$ 77,673,186	\$ 64,867,254

⁽¹⁾ Based on debt outstanding from May 24, 2001 and February 14, 2003.

⁽²⁾ Fixed charges comprises operating expenses, debt service and operating transfers.

Metropolitan Transportation Commission Schedule of Operating Revenue and Expenses – BATA Proprietary Fund – by Bridge For the Year Ended June 30, 2003

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	l	Carquinez Bridge	Benicia- Martinez Bridge	Antioch Bridge	Richmond- San Rafael Bridge	San Francisco Oakland Bay Bridges	San Mateo - Hayward Bridge	Dumbarton Bridge	Total
Operating revenues Toll revenues collected by Caltrans Other operating revenues	∽	27,475,268 \$ 359,412	27,475,268 \$ 21,792,680 \$ 359,412 297,300	3,422,296 \$	\$ 14,917,557 195,414	3,422,296 \$ 14,917,557 \$ 48,788,086 \$ 16,689,764 \$ 11,114,225 \$ 144,199,876 43,032 195,414 620,354 223,174 166,544 1,905,230	16,689,764 \$	11,114,225 \$	144,199,876
Total operating revenues		27,834,680	22,089,980	3,465,328	15,112,971	49,408,440	16,912,938	11,280,769	146,105,106
Operating expenses									
Operating expenditures incurred by Caltrans		4,900,885	4,743,749	1,466,084	3,248,076	14,886,756	3,425,872	3,045,928	35,717,350
Services and charges		474,631	378,015	51,413	267,496	1,174,818	364,313	265,972	2,976,658
Depreciation	I	24,834	19,732	2,688	13,919	52,432	16,735	12,245	142,585
Total operating expenses	I	5,400,350	5,141,496	1,520,185	3,529,491	16,114,006	3,806,920	3,324,145	38,836,593
Operating income	~	22,434,330 \$	16,948,484 \$	1,945,143	\$ 11,583,480	22,434,330 \$ 16,948,484 \$ 1,945,143 \$ 11,583,480 \$ 33,294,434 \$ 13,106,018 \$ 7,956,624 \$ 107,268,513	13,106,018	3 7,956,624	107,268,513

Metropolitan Transportation Commission Schedule of Toll Collection Summary – BATA Proprietary Fund – by Bridge (in Number of Vehicles) For the Year Ended June 30, 2003

	San Francisco- Oakland Bay Bridge	San Mateo- Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia- Martinez Bridge	Antioch Bridge	Richmond- San Rafael Bridge	Toll Traffic Total
Autos, Trucks, Buses & Trailers								
2-Axle 3-Axle 4-Axle 5-Axle 6-Axle 7-Axle & More	44,322,617 142,892 94,772 427,259 7,669	13,933,945 96,119 66,470 242,372 3,294 556	10,066,541 41,747 20,540 92,493 2,050 406	20,888,672 148,894 105,702 657,792 21,454 1,250	17,084,326 151,625 116,477 431,162 10,107 861	2,164,938 42,944 29,606 1114,939 1,604	12,098,094 79,752 61,203 270,072 4,123	120,559,133 703,973 494,770 2,236,089 50,301 4,127
Subtotal - Paid Vehicles	44,995,916	14,342,756	10,223,777	21,823,764	17,794,558	2,354,103	12,513,519	124,048,393
Free Vehicles Total Vehicles	4,416,739	1,428,943	1,315,647	1,482,156	723,196	168,594	548,719 13,062,238	10,083,994 134,132,387

Schedule of Traffic and Toll Revenue for the Carquinez Bridge - BATA Proprietary Fund **Metropolitan Transportation Commission** For the Year Ended June 30, 2003

Schedule 9

		Number	Number of Westbound Vehicles	Vehicles			Toll Revenues	nes	
		3 or More	Total Toll	Free	Total		3 or More	ده	Total
	2 Axles	Axles	Vehicles	Vehicles	Vehicles	2 Axles	Axles	 	Revenues
July	1,842,657	83,295	1,925,952	142,107	2,068,059	\$ 1,842,650	\$ 583,926	\$ 9	2,426,576
August	1,920,714	89,392	2,010,106	139,579	2,149,685	1,920,701	617,967	7	2,538,668
September	1,734,165	78,627	1,812,792	123,318	1,936,110	1,734,155	554,204	4	2,288,359
October	1,774,176	82,755	1,856,931	126,898	1,983,829	1,774,170	572,661		2,346,831
November	1,689,542	74,634	1,764,176	113,853	1,878,029	1,689,526	525,960	0	2,215,486
December	1,675,288	73,173	1,748,461	107,665	1,856,126	1,675,284	4,	5	2,193,549
January	1,677,176	74,610	1,751,786	122,853	1,874,639	1,677,144	4,	0	2,202,314
February	1,556,417	66,854	1,623,271	109,409	1,732,680	1,556,404	7	7	2,037,661
March	1,727,178	74,280	1,801,458	119,324	1,920,782	1,727,172	7,	2	2,252,844
April	1,671,172	75,049	1,746,221	131,862	1,878,083	1,671,170	536,807	7	2,207,977
May	1,800,130	80,266	1,880,396	119,346	1,999,742	1,800,122	565,812	7	2,365,934
June	1,820,057	82,157	1,902,214	125,942	2,028,156	1,820,048	579,021	_	2,399,069

\$ 27,475,268

\$ 6,586,722

\$ 20,888,546

23,305,920

1,482,156

21,823,764

935,092

20,888,672

Grand total 2002-03 FY Metropolitan Transportation Commission Schedule of Traffic and Toll Revenue for the Benicia-Martinez Bridge – BATA Proprietary Fund For the Year Ended June 30, 2003

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		Number	Number of Westbound Vehicles	/ehicles			Toll Revenues	
		3 or More	Total Toll	Free	Total		3 or More	Total
	2 Axles	Axles	Vehicles	Vehicles	Vehicles	2 Axles	Axles	Revenues
July	1,474,748	69,963	1,544,711	77,097	1,621,808	\$ 1,474,743	\$ 444,599	\$ 1,919,342
August	1,516,538	70,991	1,587,529	68,114	1,655,643	1,516,533	458,637	1,975,170
September	1,405,131	62,760	1,467,891	55,219	1,523,110	1,405,128	421,373	1,826,501
October	1,469,699	67,003	1,536,702	59,266	1,595,968	1,469,698	443,546	1,913,244
November	1,379,546	55,318	1,434,864	55,622	1,490,486	1,379,535	367,404	1,746,939
December	1,374,977	47,784	1,422,761	70,749	1,493,510	1,374,975	321,552	1,696,527
January	1,392,648	51,719	1,444,367	61,826	1,506,193	1,392,645	341,964	1,734,609
February	1,292,067	47,999	1,340,066	36,727	1,376,793	1,292,072	330,676	1,622,748
March	1,426,014	54,286	1,480,300	60,673	1,540,973	1,426,007	361,944	1,787,951
April	1,389,003	55,084	1,444,087	62,560	1,506,647	1,389,002	373,910	1,762,912
May	1,477,981	61,457	1,539,438	53,820	1,593,258	1,477,977	407,760	1,885,737
June	1,485,974	65,868	1,551,842	61,523	1,613,365	1,485,971	435,029	1,921,000
Grand total 2002-03 FY	17,084,326	710,232	17,794,558	723,196	18,517,754	\$ 17,084,286	\$ 4,708,394	\$ 21,792,680

Metropolitan Transportation Commission Schedule of Traffic and Toll Revenue for the Antioch Bridge – BATA Proprietary Fund For the Year Ended June 30, 2003

		Number	Number of Westbound Vehicles	/ehicles			Toll Revenues	70
		3 or More	Total Toll	Free	Total		3 or More	Total
	2 Axles	Axles	Vehicles	Vehicles	Vehicles	2 Axles	Axles	Revenues
July	195,127	19,543	214,670	16,482	231,152	\$ 195,127	\$ 128,180	\$ 323,307
August	203,847	19,880	223,727	14,830	238,557	203,847	123,132	326,979
September	181,384	17,390	198,774	12,799	211,573	181,384	114,151	295,535
October	182,633	17,477	200,110	13,117	213,227	182,633	119,834	302,467
November	173,085	14,100	187,185	12,923	200,108	173,085	94,881	267,966
December	166,159	11,337	177,496	12,809	190,305	166,159	77,735	243,894
January	160,579	12,799	173,378	14,330	187,708	160,580	89,899	250,479
February	156,748	12,355	169,103	12,433	181,536	156,748	83,783	240,531
March	177,139	14,230	191,369	14,116	205,485	177,139	97,780	274,919
April	173,241	14,534	187,775	13,532	201,307	173,241	98,596	271,837
May	193,700	17,293	210,993	14,907	225,900	193,700	113,162	306,862
June	201,296	18,227	219,523	16,316	235,839	201,296	116,224	317,520
Grand total 2002-03 FY	2,164,938	189,165	2,354,103	168,594	2,522,697	\$ 2,164,939	\$ 1,257,357	\$ 3,422,296

Metropolitan Transportation Commission Schedule of Traffic and Toll Revenue for the Richmond-San Rafael Bridge – BATA Proprietary Fund For the Year Ended June 30, 2003

		Number	Number of Westbound Vehicles	/ehicles			Toll Revenues	
		3 or More	Total Toll	Free	Total		3 or More	Total
	2 Axles	Axles	Vehicles	Vehicles	Vehicles	2 Axles	Axles	Revenues
July	1,057,749	39,736	1,097,485	51,364	1,148,849	\$ 1,057,746	\$ 250,177	\$ 1,307,923
August	1,093,943	41,622	1,135,565	46,659	1,182,224	1,093,942	277,226	1,371,168
September	1,008,051	35,225	1,043,276	49,982	1,093,258	1,008,048	242,316	1,250,364
October	1,047,014	37,387	1,084,401	47,556	1,131,957	1,047,011	243,147	1,290,158
November	980,379	31,394	1,011,773	37,505	1,049,278	980,379	211,538	1,191,917
December	957,666	28,933	986,599	36,740	1,023,339	957,665	191,892	1,149,557
January	967,169	30,453	997,622	40,844	1,038,466	967,166	215,207	1,182,373
February	904,281	29,023	933,304	36,129	969,433	904,280	211,249	1,115,529
March	990,023	35,409	1,025,432	65,301	1,090,733	990,016	263,142	1,253,158
April	997,941	35,121	1,033,062	35,774	1,068,836	997,938	239,979	1,237,917
May	1,056,968	35,337	1,092,305	45,364	1,137,669	1,056,966	231,528	1,288,494
June	1,036,910	35,785	1,072,695	55,501	1,128,196	1,036,907	242,092	1,278,999
Grand total 2002-03 FY	12,098,094	415,425	12,513,519	548,719	13,062,238	\$ 12,098,064	\$ 2,819,493	\$ 14,917,557

Metropolitan Transportation Commission Schedule of Traffic and Toll Revenue for the San Francisco-Oakland Bridge – BATA Proprietary Fund For the Year Ended June 30, 2003

		Number	Number of Westbound Vehicles	Vehicles			Toll Revenues	
		3 or More	Total Toll	Free	Total		3 or More	Total
	2 Axles	Axles	Vehicles	Vehicles	Vehicles	2 Axles	Axles	Revenues
July	3,842,136	62,075	3,904,211	400,552	4,304,763	\$ 3,842,128	\$ 432,266	4,274,394
August	3,952,067	61,854	4,013,921	395,298	4,409,219	3,952,060	403,620	4,355,680
September	3,714,287	56,934	3,771,221	369,202	4,140,423	3,714,283	389,028	4,103,311
October	3,826,687	62,757	3,889,444	405,287	4,294,731	3,826,684	416,824	4,243,508
November	3,623,958	56,331	3,680,289	355,850	4,036,139	3,623,949	373,204	3,997,153
December	3,526,989	50,441	3,577,430	347,486	3,924,916	3,526,989	343,885	3,870,874
January	3,583,023	54,432	3,637,455	341,661	3,979,116	3,583,020	359,216	3,942,236
February	3,342,212	47,075	3,389,287	329,840	3,719,127	3,342,209	312,173	3,654,382
March	3,678,820	53,667	3,732,487	357,475	4,089,962	3,678,817	363,101	4,041,918
April	3,629,373	55,356	3,684,729	372,066	4,056,795	3,629,371	360,214	3,989,585
May	3,832,018	56,214	3,888,232	367,640	4,255,872	3,832,015	356,737	4,188,752
June	3,771,047	56,163	3,827,210	374,382	4,201,592	3,771,043	355,250	4,126,293
Grand total 2002-03 FY	44,322,617	673,299	44,995,916	4,416,739	49,412,655	\$ 44,322,568	\$ 4,465,518	\$ 48,788,086

Schedule of Traffic and Toll Revenue for the San Mateo-Hayward Bridge – BATA Proprietary Fund For the Year Ended June 30, 2003 Metropolitan Transportation Commission

		Number	Number of Westbound Vehicles	7ehicles			Toll Revenues	
		3 or More	Total Toll	Free	Total		3 or More	Total
	2 Axles	Axles	Vehicles	Vehicles	Vehicles	2 Axles	Axles	Revenues
July	1,143,894	34,912	1,178,806	135,366	1,314,172	\$ 1,143,890	\$ 233,190	\$ 1,377,080
August	1,164,186	35,643	1,199,829	131,224	1,331,053	1,164,184	235,632	1,399,816
September	1,118,016	33,383	1,151,399	116,437	1,267,836	1,118,015	218,796	1,336,811
October	1,184,410	37,025	1,221,435	124,772	1,346,207	1,184,410	259,229	1,443,639
November	1,123,613	31,852	1,155,465	116,329	1,271,794	1,123,610	213,681	1,337,291
December	1,146,874	30,331	1,177,205	111,078	1,288,283	1,146,874	203,123	1,349,997
January	1,157,113	33,064	1,190,177	118,193	1,308,370	1,157,111	218,460	1,375,571
February	1,071,013	30,728	1,101,741	104,966	1,206,707	1,071,012	205,439	1,276,451
March	1,195,763	34,216	1,229,979	113,606	1,343,585	1,195,762	234,811	1,430,573
April	1,161,197	33,678	1,194,875	118,162	1,313,037	1,161,196	231,924	1,393,120
May	1,231,048	36,480	1,267,528	116,881	1,384,409	1,231,046	248,215	1,479,261
June	1,236,818	37,499	1,274,317	121,929	1,396,246	1,236,818	253,336	1,490,154
Grand total								
2002-03 FY	13,933,945	408,811	14,342,756	1,428,943	15,771,699	\$ 13,933,928	\$ 2,755,836	\$ 16,689,764

Metropolitan Transportation Commission Schedule of Traffic and Toll Revenue for the Dumbarton Bridge – BATA Proprietary Fund For the Year Ended June 30, 2003

		Number	Number of Westbound Vehicles	Vehicles			Toll Revenues	Si
		3 or More	Total Toll	Free	Total		3 or More	Total
	2 Axles	Axles	Vehicles	Vehicles	Vehicles	2 Axles	Axles	Revenues
July	895,549	14,869	910,418	131,684	1,042,102	895,543	\$ 101,184	\$ 996,727
August	918,826	15,685	934,511	126,729	1,061,240	918,826	102,083	1,020,909
September	863,166	15,326	878,492	115,192	993,684	863,166	106,792	969,958
October	916,567	15,058	931,625	125,711	1,057,336	916,567	93,666	1,010,233
November	807,247	12,136	819,383	102,685	922,068	807,247	84,389	891,636
December	784,817	10,987	795,804	97,401	893,205	784,817	77,454	862,271
January	821,174	11,763	832,937	106,133	939,070	821,174	73,008	894,182
February	750,303	10,164	760,467	95,083	855,550	750,302	73,872	824,174
March	828,501	11,785	840,286	103,420	943,706	828,500	76,150	904,650
April	810,344	11,908	822,252	105,197	927,449	810,344	79,474	889,818
May	838,844	14,210	853,054	104,460	957,514	838,844	91,876	930,720
June	831,203	13,345	844,548	101,952	946,500	831,202	87,745	918,947
Grand total 2002-03 FY	10,066,541	157,236	10,223,777	1,315,647	11,539,424	\$ 10,066,532	\$ 1,047,693	\$ 11,114,225

Metropolitan Transportation Commission Schedule of Fiduciary Net Assets by Participant June 30, 2003

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	TDA Fiduciary Fund Total	AB1107 Fund Program	Fiduciary Fund Total
Restricted assets held by participating counties Due from state of California	\$13,357,826 \$13,753,776 17,696	\$13,753,776 \$	1,126,185 \$	7,466,376 \$	2,016,504 \$	2,646,469	\$ 4,987,105 \$	10,374,019	3 17,408,226 \$ 264,935	\$ 1,126,185 \$ 7,466,376 \$ 2,016,504 \$ 2,646,469 \$ 4,987,105 \$ 10,374,019 \$ 17,408,226 \$ 73,136,486 \$ 4,983,274 \$ 78,119,760 .	4,983,274 \$	78,119,760 282,631
Total Assets	\$ 13,375,522	13,375,522 \$13,753,776 \$ 1,126,185 \$ 7,466,376 \$ 2,016,504 \$ 2,646,469 \$ 4,987,105 \$ 10,374,019 \$ 17,673,161 \$ 73,419,117 \$ 4,983,274 \$ 78,402,391	1,126,185 \$	7,466,376 \$	2,016,504 \$	2,646,469	\$ 4,987,105 \$	10,374,019	\$ 17,673,161 \$	73,419,117 \$	4,983,274	78,402,391
Accounts Payable Accrued Expense Due to other Governments	\$ 868,781 \$ 308,600 316,991 120,000 12,189,750 13,325,168	868,781 \$ 308,608 \$ 316,991 120,000 189,750 13,325,168	33,795 1,092,390	1,644,682 \$	146,003 \$ 86,371 1,784,130	289,889 15,600 2,340,980	289,889 \$ 459,687 \$ 15,600 - 2,340,980 4,527,418	212,352 \$ 225,000 9,936,667	212,352 \$ 233,224 \$ 225,000 - 9,936,667 17,439,937	- \$ 1,644,682 \$ 146,003 \$ 289,889 \$ 459,687 \$ 212,352 \$ 233,224 \$ 4,163,226 \$ 4,983,274 \$ 9,146,500 95 - 86,371 15,600 - 225,000 - 797,757 - 797,757 90 5,821,694 1,784,130 2,340,980 4,527,418 9,936,667 17,439,937 68,458,134 - 68,458,134	4,983,274 \$	9,146,500 797,757 68,458,134
Total Liabilities	\$13,375,522	13,375,522 \$13,733,776 \$ 1,126,185 \$ 7,466,376 \$ 2,016,504 \$ 2,646,469 \$ 4,987,105 \$ 10,374,019 \$ 17,673,161 \$ 73,419,117 \$ 4,983,274 \$ 78,402,391	1,126,185 \$	7,466,376 \$	2,016,504 \$	2,646,469	\$ 4,987,105 \$	10,374,019	\$ 17,673,161 \$	73,419,117 \$	4,983,274	78,402,391

Metropolitan Transportation Commission Schedule of Changes in Fiduciary Net Assets For the Year Ended June 30, 2003

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	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	TDA Fiduciary Fund Total	AB1107 Fund Program	Fiduciary Fund Total
Local transportation fund AB1107 fees	\$ 53,596,978	\$30,495,773	9,694,417	5,136,467	\$ 28,959,436	\$ 28,972,882	\$67,567,985	\$ 13,069,921	\$ 16,886,783	\$53,596,978 \$30,495,773 \$ 9,694,417 \$ 5,136,467 \$28,959,436 \$28,972,882 \$67,567,985 \$13,069,921 \$16,886,783 \$254,380,642 \$	55.818	- \$254,380,642 8,684 55,818,684
Investment earnings	262,028	262,028 120,738	44,767	238,789	93,388	218,105	101,071	303,698	525,570	44,767 238,789 93,388 218,105 101,071 303,698 525,570 1,908,154 120,848	120,848	2,029,002
Total additions	53,859,006 30,616,51		9,739,184	5,375,256	29,052,824	29,190,987	67,669,056	13,373,619	17,412,353	9,739,184 5,375,256 29,052,824 29,190,987 67,669,056 13,373,619 17,412,353 256,288,796 55,939,532 312,228,328	55,939,532	312,228,328
Allocations	45,741,905	45,741,905 32,524,377	8,007,479	8,105,306	23,702,264	23,111,770	60,861,621	13,932,778	15,746,637	8,105,306 23,702,264 23,111,770 60,861,621 13,932,778 15,746,637 231,734,137 64,819,389 296,553,526	64,819,389	296,553,526
Administrative	1,905,309	1,905,309 1,119,972	420,325	205,459	1,158,377	1,065,084	2,702,720	522,797	612,041	205,459 1,158,377 1,065,084 2,702,720 522,797 612,041 9,712,084	•	9,712,084
Total deductions	47,647,214	47,647,214 33,644,349	8,427,804	8,310,765	24,860,641	24,176,854	63,564,341	14,455,575	16,358,678	8,310,765 24,860,641 24,176,854 63,564,341 14,455,575 16,358,678 241,446,221 64,819,389	64,819,389	306,265,610
Net of additions over (under) deductions	6,211,792	(3,027,838)	1,311,380	(2,935,509)	4,192,183	5,014,133	4,104,715	(1,081,956)	1,053,675	6,211,792 (3,027,838) 1,311,380 (2,935,509) 4,192,183 5,014,133 4,104,715 (1,081,956) 1,053,675 14,842,575 (8,879,857) 5,962,718	(8,879,857)	5,962,718
Due to other governments 6/30/02 5,977,958 16,353,006 (218,990) 8,757,204 (2,408,052) (2,673,153) 422,704 11,018,623 16,386,259 53,615,559 8,879,857 62,495,416	5,977,958	16,353,006	(218,990)	8,757,204	(2,408,052)	(2,673,153)	422,704	11,018,623	16,386,259	53,615,559	8,879,857	62,495,416
Due to other governments 6/30/03 \$12,189,750 \$13,325,168 \$1,092,390 \$5,821,695 \$1,784,131 \$2,340,980 \$4,527,419 \$9,936,667 \$17,439,934 \$68,458,134 \$	\$ 12,189,750	\$13,325,168	1,092,390	\$ 5,821,695	\$ 1,784,131	\$ 2,340,980	\$ 4,527,419	\$ 9,936,667	\$ 17,439,934	\$ 68,458,134		- \$ 68,458,134

Schedule of Interest Rate Swap - BATA Proprietary Fund **Metropolitan Transportation Commission** June 30, 2003

	Series A-2001	Series A-2001	Series B-2001	Series C-2001	Series 2003	Total
Notional Amount Trade date	\$75,000,000 1/10/2002	\$75,000,000 1/10/2002	\$75,000,000 1/10/2002	\$75,000,000 1/10/2002	\$200,000,000 3/5/2003	\$500,000,000
Swap mode Maturity	Cost of fund 4/1/2036	Cost of fund 4/1/2036	Cost of fund 4/1/2025	Cost of fund 4/1/2029	65% LIBOR 4/1/2038	
Basis risk	*oN	*oN	No*	No*	Yes	
All in rate contracted cost basis cost liquidity marketing	4.090% 0.000% 0.300%	4.100% 0.000% 0.300%	4.110% 0.000% 0.300%	4.120% 0.000% 0.300%	4.139% 0.030% 0.300%	
	4.390%	4.400%	4.410%	4.420%	4.469%	
Counterparty (CP) % held by CP - 2001 Swap	Morgan Stanley 25%	Citigroup 25%	AMBAC See series c for	AMBAC 50%	AMBAC 0%	100%
% held by CP - Aggregate	15%	15%	See 2003 for cumulative	See 2003 for cumulative	70%	100%
S&P/Moodys	A+/Aa3	AA-/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa	
Ratings outlook	Stable/Stable	Stable/Stable	Stable/N.A.	Stable/N.A.	Stable/N.A.	
Termination value	(\$11,700,100)	(\$11,822,900)	(\$10,501,700)	(\$11,047,100)	(\$31,642,400)	(\$76,714,200)
Credit risk CP collateral posting ** CP < AA and	Yes	No	No	No	No	
Termination value > \$10,000,000	No	No	No	No	No	
Termination risk	No	No	No	No	No	
Tax risk	Yes	Yes	Yes	Yes	No	
Counterparty default rate	65% LIBOR	65% LIBOR	65% LIBOR	65% LIBOR	N.A.	

^{*} yes, upon 2006 conversion to 65% LIBOR ** BATA has no posting requirement

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Bill Hall, Caltrans

Page 5

Left: John Benson

Page 6

Left: *John Blaustein* Right: *John Blaustein*

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Left: Peter Beeler Center: Chriss Poulsen Right: AC Transit

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Left: Joyce Benna

Pages 20-21

Top row, left to right:

Richmond-San Rafael Bridge: Caltrans

Fish: Ryan Jones

Bicyclists: *Richard Leon* BART train: *John Benson*

Bottom row, left to right: Streetscape: *Annie Young*

Diamond lane: *Bill Hall, Caltrans*Man in wheelchair: *AC Transit*Transportation 2030 Summit:

Chriss Poulsen

High school interns: *Peter Beeler* Man with cell phone: *Peter Beeler* Carquinez Bridge fireworks:

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